

Modern trade will have to reinvent its model: Sunil Kataria

Most visible change as a result of the Covid crisis, has been the re-emergence of *kirana* stores, says Godrej Consumer CEO

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There has been a resurgence in *kiranas* or neighbourhood stores as a part of the post-Covid new normal, says Sunil Kataria, CEO, India and SAARC, Godrej Consumer Products Ltd (GCPL). New buying behaviour has emerged.

The home-grown FMCG company is investing to ramp up distribution and is looking to overcome the challenges of manpower shortage at the front end through the adoption of technology. In an interview with *BusinessLine*, Kataria talks about the post Covid new normal, consumer behaviour trends, and plans for FY21. Excerpts:

How do you see the FMCG segment play out in FY21?

Right now, it is difficult to have a definitive answer. A lot depends on the sentiments and effects of the coronavirus.

There could be a stop-start scenario, where spikes in different areas lead to stringent control, followed by opening up. We might see a stop-start economy as

part of the new normal or till a vaccine comes out.

Have you observed any emerging consumption pattern?

We see a duality in consumption. So one phenomenon will be, people whose incomes have been hurt/hit will go for downtrading across categories (opting for lower price brands); and, discretionary spending will be under pressure. The other side, where incomes have not taken that much of a hit, will reduce visits to modern retail (as they want to bring down infection risks). Online orders may go up. And we see increased consumption of large or family packs.

How are the distribution channels behaving?

The biggest visible change: resurgence of the *kiranas*. This will be there for the year and in future ones, too. Consumers saw *kiranas* support them during the lockdown and some facilitated home deliveries; they are now ramping



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up on technology too. In the new normal, people would not want to travel long distances to go to hyper-marts, at least for grocery shopping. Nor would they prefer standing in long queues. Footfalls will be under pressure. So, modern trade will have to reinvent its model, especially for hyper market (formats). Big sale days or deal days or this type of models need to be looked at. As a company, we too will have to think on how we up-sell and up-scale.

Third is the e-commerce space. The segment did not ramp up on expected lines initially, but is doing so now. (Some) consumer demand is also shifting online, where GCPL is ramping up its presence.

In the pre-Covid days, FMCG companies, including GCPL, had online specific portfolios. Will there be an intermingling of products?

It's a bit of a myth that e-commerce was for categories that are not available in general stores or modern retail. I think different consumer behaviours across online platforms are visible. There are some basic platforms (e-tailers) where consumers go to buy regular brands that are also available at a general store. There are some who look for deals.

Then there are vertical players whom consumers visit for specific items; or they visit after reading up on segments. Categories like men-grooming or baby care are some such niches. Take the example of our mosquito repellent racquet. Not all *kiranas* would have initially stocked it because of the price. So it was launched first on e-commerce and is being now introduced in top general trade outlets.

Having said this, let me point

out, e-commerce for us is seeing traction across all categories.

How is the company tackling distribution challenges?

We are operating at 80-85 per cent of our production capacities. The situation is improving everyday and at the back end there is no problem. The challenge is in the front end – last-mile distributor sales.

One issue is the absence of labour for distributor sales force. The second is: there are many small- and medium-sized retailers whose shop boys have gone back home. So they are facing challenges in opening shops regularly. How fast labour comes back is going to be a determining factor in resuming normalcy.

As a company, we think, digital is going to play a big role in addressing these challenges. We are experimenting a lot with things like tele-calling, and are reorganising our route-to-market; remote calling and use of apps to take orders from *kiranas*.

Then, there is rationalisation of the SKU-mix. The time for calls in the market (by sales people) will be lower as shopkeepers too won't have time to interact or engage with them at length. So we are working on rationalising the merchandise list.

