

High performance. Delivered.

Tackling the Challenge of Indirect Distribution

The next surge in consumer goods industry growth is expected to come from emerging markets. Within emerging markets, tier-2 and 3 cities and towns and rural areas with growing disposable income, are fuelling the consumption. With organized retail currently limited to larger cities, CPG manufacturers have to reach the end consumer through a multi-layered complex structure of traditional trade which poses unique challenges:

- Channel Control and Distributor performance management**
 Many distributors in smaller towns act as resellers and pass on products from one link in the supply chain to another. Manufacturers need a degree of visibility and control to make informed decisions about distributor performance.
- Product Proliferation across multiple channels**
 A constant challenge for manufacturers is to keep control over multiple SKUs in multiple channels. This often results in the right SKU not being in the right place at the right time, leading to significant out-of-stock levels and lost sales.
- Low visibility into distributor sales, inventory and cost-to-serve**
 Visibility on sales, inventory and actual

consumer demand can be very limited or practically non-existent for the CPG company in distributor markets. As a result, there is not only a visible disconnect with the end consumer, but also a 'push' strategy is a common way for the sales force to achieve their targets at the store level. Each added layer of distribution cuts into the margin increasing the total cost-to-serve.

- Logistical challenges due to geographical diversity and reach issues**
 Heavy dependence on roads in emerging markets leads to longer delivery times and higher costs resulting in higher working capital

Implications for CPG Companies

CPG companies have adopted different route-to-market capabilities and innovative distribution models to respond to these challenges. However, downstream sales, inventory data and distributor order management capabilities remain a challenge to removing out-of-stock incidents, which continue to be in the 10-20 percent range. Further, missed opportunities in up-sell, cross-sell, and outlet coverage can impact revenues by 4-8

percent. For CPG companies, there is a clear opportunity to drive more efficient sales execution and improve efficiency within the indirect channel by focussing on better enabling and equipping distributors as well as by gaining greater visibility on actual sales and inventory performance.

Accenture Perfect Sales—Distributor is designed to help CPG companies drive a 30 percent improvement in trade performance by combining better distributor integration with improved Point of Sales (PoS) visibility:

- The Distributor Management Service (DMS)** provides manufacturers the ability to engage exclusive distributors with core ERP, merchandising and distributor sales capabilities
- The Distributor Information Service (DIS)** helps manufacturers integrate

sales and stock data from both exclusive and non-exclusive distributors within a common reporting and analytics platform

Our service can help CPG companies better manage the indirect channel which we achieve by providing executable insights on markets, brand performance, PoS profitability, distributor performance, and sales force effectiveness, as well as operations and working capital improvements. The DMS/DIS capabilities are offered to CPG clients as both standalone or fully integrated business services resulting in best-in-class technology, processes and people skills bundled together to support manufacturers and distributors as they drive improved sales planning and execution.

Accenture Perfect Sales—Distributor

DMS	<ul style="list-style-type: none"> • Distributor ERP enablement • Distributor Sales Force enablement 	<ul style="list-style-type: none"> • Sales training for reps • Mobile device enablement
DIS	<ul style="list-style-type: none"> • Predefined DMS connectivity • Exclusive/non-exclusive integration • Predefined KPIs and dashboards 	<ul style="list-style-type: none"> • Push alerts and messages to sales • Can be run as standalone service