

## MARKET SHARES INCH UP, BOOST SALES

# Britannia, Nestle improve rural play with focus on direct reach

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FMCG COMPANIES SUCH as Britannia and Nestle have accelerated their pace of rural distribution expansion, helping them capture more market share in rural areas and even boosting sales in the September quarter.

Britannia has been on a rural expansion drive for quite a few years, which has helped it improve market share in states like Uttar Pradesh, where its share inched up to 18% from 11-12% around seven years ago. Similarly, Nestle has seen an uptick in rural markets and registered double-digit growth across mega, metro and smaller cities, albeit on a low base.

Britannia has appointed 28,000 rural preferred dealers (RPD), leading to consistent market share gains, it said during its September quarter earnings. Its direct distribution jumped to 2.6 million outlets, with an addition of 400,000 outlets in the last six months, it said.

Britannia intends to create carrying and forward agents, who then distribute to these smaller RPD, Varun Berry, managing director at Britannia, said during the September quarter analyst call. The company said "it probably cost a per cent more, but it



gives long-term sustainability in that area or in that village and the way it works is that after these distributors become larger, say they start with ₹30 lakh or ₹20 lakh-a-month kind of business and then they get to larger size, then we can start to service them directly, then we cut out the C&FA, we make them distributors," Berry said.

The company is also using technology and data analytics to enhance its product range availability in outlets and with distributors. "Range selling is also part of the trade term or the margins that we give to our super stockist and RPDs, and therefore it is

a self motivating commission which basically helps us sell this entire range," said Vipin Kataria, chief sales officer at Britannia.

According to Nomura, rural expansion initiatives have progressed well, with share gains in rural markets 1.5x those in urban markets.

"Distribution by FMCG companies typically happen in two forms: one is that product reaches the retailer directly serviced from the company or typically a wholesaler buys it in bulk from someone and distributes it further," said Akshay D'Souza, chief of growth and insight

## GOING LOCAL

■ Britannia has added 400,000 direct distribution outlets in the last six months

■ Nestle has accelerated its RURBAN strategy and acceptance of Nestle brands is driving rural growth, it said

at Bizom. But revenues one can get by direct distribution are many times more than wholesales, plus growth and brand awareness is guaranteed with direct distribution, he said.

After the pandemic, companies that had better rural presence, like HUL, did better as urban areas were hit harder during the pandemic, D'Souza said.

Rural markets account for nearly 38% of overall FMCG industry sales. However, in the last few quarters, sales in the segment have been subdued owing to inflationary pressures. According to Nielsen, rural volumes recorded a volume decline of 3.6% in the September quarter, against the 2.4% fall in the April-June quarter.

Suresh Narayanan, chairman and managing director, Nestle India, had earlier said the company has a lower base in rural markets and its growth in those areas should be viewed in that context. "We have accelerated our RURBAN strategy and the acceptance of Nestle brands is driving rural growth. If you compare me to HUL or Dabur they have got a much higher rural penetration and have been there longer," he had said. The RURBAN strategy entails customisation, increase in direct reach, regionalisation, and participation in village haats, Axis Securities said.