



# ValueFirst

A leading MVNO of data services to the enterprises

Helping the FMCG companies cater to the rural masses

## Table of Contents

<b>FMCG Sector - A Snapshot</b>	<b>2</b>
<b>FMCG Industry - Business Drivers</b>	<b>3</b>
<b>Introduction to Mobile Messaging</b>	<b>4</b>
<b>How Mobile Messaging can help FMCG companies serve the rural masses?</b>	<b>5</b>
<b>Some of the existing clients in FMCG</b>	<b>8</b>
<b>Conclusion</b>	<b>8</b>

## FMCG Industry – A snapshot

The US\$ 10 billion fast moving consumer goods (FMCG) industry grew 5.3 per cent in value terms in calendar year '05 over '04, according to an ACNielsen India study. Rise in food and personal care categories is fuelling this growth with biscuits growing over 13.8% and shampoos by 17.5% in value terms, against 9.8% and 8.6% growth registered in '04, respectively. *(Economic Times, 23<sup>rd</sup> Feb, 2006)*

FMCG companies are trying to outdo each other in getting to the rural consumer first. Each of them has seen a significant expansion in the retail reach in mid-sized towns and villages. Some who could not do it on their own, have piggy backed on other FMCG major's distribution network. Consequently, companies that have taken to rural India like chalk to cheese have seen their sales and profits expanding. For example, in case of some FMCG companies almost 50% of their revenues come from the rural areas. *(EquityMaster.com, 22 Feb, 2003)*



Four major changes have taken place in the last decade in the FMCG sector. Firstly, the FMCG companies have discovered that large section of rural population yet untapped is ready to accept their products, but there are challenges regarding penetrating in the rural India. *Higher innovation and improved availability can help increase the retailer penetration in the rural market vis-à-vis the more saturated urban market.*

Secondly, as the demand fluctuations have become rampant as brand portfolio of FMCG companies have widened and they are serving large number of small markets, there is increasing need to adopt just-in-time manufacturing principles. *Therefore, the supply chain of the FMCG companies needs to be lean and efficient to enable just-in-time production.*



Thirdly, there has been mushrooming of regional companies, which are posing a threat to the bigger FMCG companies. Competition has intensified and the dominance of one player across the product range has reduced. *Therefore, FMCG companies need to respond by innovative marketing means which are high decibel and reach the masses, but at the same are cost effective and doesn't inflate the promotional budget.*

Fourthly, as the FMCG companies are expanding their operations they need to have strict control on the processes to contain costs and remain efficient. *Therefore, the IT and manufacturing systems deployed have to be monitored closely to achieve the desired SLAs of the business.*

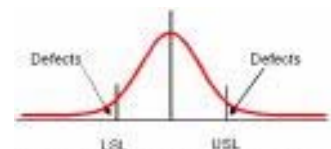


Figure 1: Process Capability. When a distribution of parts follows the Gaussian distribution, the Mean and Standard Deviation are used to construct an ideal curve to estimate the proportion of parts outside the Upper and Lower Specification Limits (USL and LSL).

## FMCG Industry – Business Drivers

Going by the trends and current market dynamics in the FMCG industry, we can conclude that the top four business drivers in the FMCG industry are: -

### 1. Wider distribution network

To penetrate in the rural areas, FMCG companies need to have robust distribution network. There should exist a mechanism to have a 2-way communication with the distributors/dealers in the remote areas. Secondly, the sales force should also have a mechanism to send and receive critical information to the central office. An instant 2-way communication channel would help the FMCG companies manage the sales force and the distributor network at the remote locations.

### 2. Lean Supply Chain

To handle high demand fluctuations, FMCG companies need to have a lean supply chain so that the inbound and outbound logistics are just-in-time in synchronization with the demand. Therefore, the supply chain needs to be equipped with a communication interface which is ubiquitous, instant and effective.

### 3. Aggressive Marketing

To differentiate from the clutter of brands available in the market, FMCG companies need to adopt innovative means to reach out to the end consumer. The marketing medium adopted by the companies need to have wider reach, should be personal and interactive, but cost effective at the same time.

### 4. Stringent Control on Processes

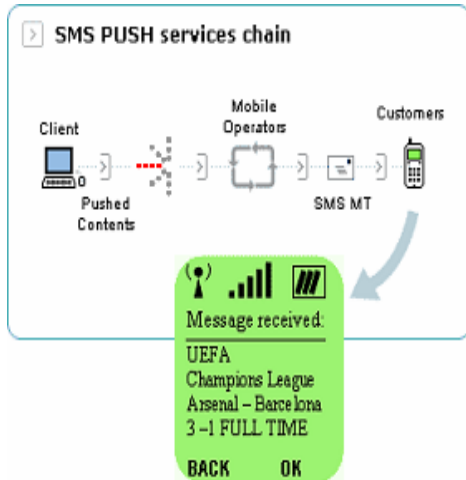
As the FMCG companies expand its operations into rural areas, it needs to have stringent control on its manufacturing, IT and administrative operations to contain costs and optimize the resource utilization. They need to have a communication channel which is transparent and alerts the stakeholders instantly in case of process failure.

An instant 2-way communication channel would help the FMCG companies manage the sales force and the distributor network at the remote locations....

The marketing medium adopted by the companies need to have wider reach, should be personal and interactive, but cost effective at the same time...

## Introduction to Mobile Messaging

### What is Mobile Messaging?



Mobile Messaging, or Short Message Service (SMS), is the ability to send or receive text messages to or from mobile handsets. The text can comprise words or numbers or an alphanumeric combination. SMS was created as part of the GSM Phase 1 standard. The first short message is believed to have been sent in December 1992 from a Personal Computer (PC) to a mobile phone on the Vodafone GSM network in the UK. Each short message can be up to 160 characters in length when Latin alphabet are used.

There are four types of mobile messaging scenarios possible between the IT Applications and mobile phones:

#### 1. PUSH Services

PUSH Services allow pushing the relevant information from the IT system to the mobile phones. They can be deployed for Information Services, real-time notifications and direct marketing offerings.

#### 2. PULL Services

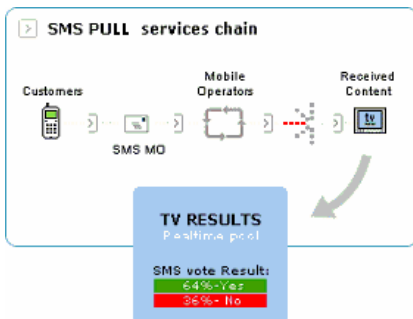
Mobile users "pull" or request information by sending an SMS from their mobile phones to a service number linked to the service of the content provider.

#### 3. PUSH-PULL Services

The service is initiated by a Push SMS from the application to the mobile user prompting the user to reply via SMS.

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Mobile messaging is going to grow at a rapid rate over the next two years owing to the key market drivers such as the cheaper mobile technology..

### Customer Usage and Market Growth

There is no doubting the success of the Short Message Service - the market in India alone has reached over one billion messages despite little proactive marketing by network operators and phone manufacturers. Key market drivers over the next two years such as the access of cheaper mobile technology to the masses will fuel this growth path.



## How can Mobile Messaging help FMCG serve the rural masses?

Based on the analysis of the FMCG industry scenario it can be concluded that the mobile messaging can help the FMCG industry support the above mentioned business drivers in the following functions: -

### Sales & Distribution



#### MIS - targets and achievements

A pre-defined SMS with personalized information targets and achievement picked from legacy system (e.g. SAP, Oracle, SQL etc.) and delivered on destination mobile phones.



#### Outlet information

The nearest outlet, dealer or distributor address to be sent on SMS on demand.



#### Credit limit change approval

A sales person who is on the move changes the credit limit by sending an SMS with a PIN form him mobile phone to the back-end system.



#### Sales order

Sales team members or distributors place order for new stock by sending an SMS with the product code and quantity.



#### Distributor communication

Price, collections, inventory and stock related information pushed to individual distributor or a pre-defined group of distributors.

### Supply Chain Management



#### Movement of products/SKUs

Information on movement of products from manufacturing location to point of sales including intermediate stages is sent to relevant persons in the supply chain. The information



#### Stocks/Inventory status on demand

The authorized persons send an SMS to one central number to get the real-time status of stocks.



#### Auto-alerts for stocks







Customized and automated alerts sent to the concerned persons related to stock levels.

The Mobile Messaging services opens up 2-way communication channel with the remote sales force and the distributors and makes the organization agile and responsive to the market forces...




The advantage of Mobile Marketing solution over the conventional media is that it is almost certain that the customer will read the message and respond immediately if that interest him..



## Marketing

- 
**Brand awareness**  
 Pre-defined SMS is sent on to the mobile phones of opt-in customers or prospects.
- 
**Customer relationship management**  
 Frequent updates on products, market and related technology are sent as SMS on the mobile phones of pre-registered customers.
- 
**Consumer feedback**  
 All feedback in the form of suggestions or complaints can be solicited using the mobile channel. Here the customer sends a text to a 4-digit short-code or a virtual number and receives an automated or manual reply.
- 
**Contests**  
 Two way contests are conducted using the mobile channel between mobile phones and back-end system.
- 
**Promotional schemes**  
 Information related to promotional schemes to the target audience to be sent from desktop PC or laptop.
- 
**New product launch**  
 Information on new product launch to prospects or customers sent on mobile phones.

## Information Technology

- 
**User passwords**  
 Sensitive information or change of passwords etc. sent over SMS to the mobile phone of the user.
- 
**Server/network down information**  
 Network or system administrator receives critical and time sensitive information on his mobile phone. The information includes outage, utilization temperature etc related to server and network.
- 
**MIS Updates on Server performance**  
 Periodic MIS sent to the stakeholders involved in managing the IT process in the organization.

Mobile Messaging helps keep constant communication with the mobile sales force and hence motivate them to perform better....

Mobile Messaging enables stringent control of Admin and finance processes and therefore empowers the organization to control costs...

## Human Resources



### Employee motivation

Continuous communication with regard to vision, Mission, goals, objectives, achievements etc. to employee to keep the employees motivated.



### Recruitment

All candidates are advised on the status of the interview including the details of written test, shortlist, and interview and offer letter on the mobile phone.



### Training and development

Personalized information related to the training needs of the individual sent on mobile phones. Also, automated reminders for training are picked up the training calendar and sent on the mobile phones

## Accounts and Finance



### Salary/reimbursement transfer

Real-time information on salary or reimbursement transfer to the corresponding account sent on SMS.



### PDC - distributors

An automated reminder set at a predefined time (say, 1 day before the due date) with cheque details sent as SMS to the contact person.



### Bounced cheques

Information with details of failed transaction sent, as soon as it is received in the back-end system, to all concerned persons.

## Manufacturing Plant



### Production MIS - time/event based

Multiple MIS are sent based on time or event recorded in the back-end database.



### Process deviation




A predefined variation is measured and information sent across to the mobile phones of relevant persons



### Vendor management

Automated SMS related to reminders for stock movement and payments sent to the mobile phones of all concerned

## Administration

- 
**Meeting reminder**  
 In house meeting reminders sent as SMS to the mobile phones of all attendees.
  
- 
**In house circular**  
 Information broadcasted on to the mobile phones of all to the employees
  
- 
**Disaster/ emergency management**  
 All the information to be broadcasted in case of any disaster or emergency to the mobile phones of all concerned.

## Some of the existing clients in FMCG



## Conclusion

Mobile messaging is capable of contributing to the cost efficiency and process efficiency in the FMCG companies due to instant access to information and optimum utilization of resources. Being cost efficient would equip the FMCG companies to cater to the rural masses by helping them in having wider distribution network, doing aggressive marketing and managing leaner supply chain.

*For further information on how FMCG companies can cater to the rural masses using mobile technology and solutions to enhance their competitiveness, please feel free to write to Nimesh Bhandari, VP- Mobility Solutions, ValueFirst, at [nimesh.bhandari@vfirst.com](mailto:nimesh.bhandari@vfirst.com)*

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*ValueFirst empowers its customers to communicate between varied IT back-end systems and mobile phones using SMS Services. ValueFirst provides a unique, end-to-end, global carrier-grade mobile data service. Its mobile data service offering includes "plug and play" application licensing and hosting. Employing a partnership with Mobile operators, ValueFirst acts as an MVNO (Mobile Virtual Network Operator), with a clear focus on SMS mobile messaging. ValueFirst's Mobile Messaging Platform is capable of delivering SMS services to virtually any CDMA/GSM mobile handset. ValueFirst combines signaling information from the mobile world with innovative applications running concurrently on its own IT applications platform and thereby pave the way for mission-critical international messaging services.*

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