HUL – The Digital Rise: Reviewed Paper

Sandeep Saxena[1], Dr. Vikas Chandra Agarwal[2]

[1]Assistant Professor, Faculty of Commerce & Management, RNB Global University, Bikaner
[2]Associate Professor, Amrapali Group of Institutes, Shiksha Nagar Haldwani

Abstract

This paper examines the transformative impact of the Shikhar software introduced by Hindustan Unilever Limited (HUL) on the traditional distribution model of Fast-Moving Consumer Goods (FMCG) in India. Unveiled on December 8, 2020, the Shikhar platform emerged as a catalyst for digitalizing small mom-and-pop shops, empowering them to optimize inventory, accept online payments, and augment sales. By December 2021, the platform had rapidly expanded its footprint, becoming the preferred ordering platform for over 3,00,000 stores nationwide, marking a threefold increase from the previous year.

The primary objective of HUL's digital initiative is twofold: to onboard more stores onto the Shikhar platform and concurrently leverage digital inclusion as a tool to bolster the company's competitive edge. As India's largest FMCG company and the local arm of the global giant Unilever plc, HUL's extensive product portfolio encompasses soaps, shampoos, detergents, skincare items, cosmetics, tea, packaged goods, ice cream, and water purifiers.

This paper delves into the evolution of HUL's distribution network, from the traditional "wholesaler network" to the innovative "registered wholesaler" model. Additionally, it explores the company's foray into e-commerce with Humara-shop in 2015, a precursor to Shikhar, which aimed at digitally empowering small shops and general trade, constituting 90% of HUL's revenue. The growth fueled by technology, particularly through initiatives like 'Project Shakti' and collaborations with modern trade channels, supermarkets, hypermarkets, and e-commerce, is highlighted.

In conclusion, the Shikhar software's integration into HUL's distribution strategy exemplifies a successful marriage of technology and traditional retail, enhancing efficiency and accessibility while reinforcing the company's market dominance. This study contributes to the understanding of how established FMCG giants can harness technology to transform and adapt to the evolving retail landscape.

Introduction

The Shikhar software allows small mom-and-pop shops to optimize inventory, accept online payments, and increase sales.

Hindustan Unilever Limited (HUL) introduced Shikhar, an online ordering platform, on December 8, 2020. It quickly grew to be a sourcing point for over 3,00,000 stores across the country, up from around 1,00,000 the previous year. Instead of waiting for a HUL salesperson to visit them to take orders, mom-and-pop establishments selling HUL items could use the Shikhar app to place orders. HUL enabled shops that signed up for the app to get an overdraft through a relationship with the State Bank of India (SBI).

The objective is to attract more and more shops to its platform while also ensuring that the company's digital inclusion of important channel partners is used to boost its competitiveness.

Teaching Objective(s)

- To Guide the readers about how the company Like HUL is helping the small business man & reach-out to the consumers through Digital channels
- Though we take MNCs as competitors of small businesses operation in India but they actually focus on bringing these small merchants at par with them by supporting them in their digital operations

Explanation of the distribution model

HUL is India's largest FMCG company and is the Indian arm of the Anglo-Dutch FMCG giant Unilever plc. The company, which has been in the country for more than a century, provides soaps, shampoos, detergents, skincare items, cosmetics, tea, packaged goods, ice cream, and water purifiers, among other things. HUL has created a powerful distribution network that reaches every nook and cranny over the years.

HUL's distribution plan relied on a "wholesaler network" of redistribution stockists and Clearing and Forwarding (C&F) agents to ensure product availability. Wholesalers and large retailers placed direct orders through this network, and the company salesperson gathered them all together and directed them to the company. The "wholesaler network" was later replaced by a "registered wholesaler," a stock point for product distribution.

It was then handed over to a "redistribution stockist," who had warehousing facilities and collaborated with the company's salesmen. HUL created relationships through modern trade channels such as supermarkets and hypermarkets, as well as having its own e-commerce channel, in addition to its core line of business. Through a network of over 1,40,000 'Project Shakti' entrepreneurs, it was able to establish widespread rural distribution of its products.

Growth fueled by technology

HUL entered the e-commerce market in 2015 with Humarashop, a platform that showcased various mom-and-pop retailers in a certain location. HUL was considering digitally enabling small shops and general trade because small shops and general trade accounted for 90% of its revenue. Each store had its own page on Humarashop, which connected shoppers with local merchants. Customers could place orders for things and have them delivered in two hours. On a trial basis, this was implemented in a select Mumbai neighbourhoods.

HUL released the Shikhar app in 2017 to further this aim of digitally enabling small businesses. Without the involvement of distributors or salespeople, shopkeepers may use the app to place orders with HUL directly. Other benefits of the Shikhar app include assisting shops in locating neighbouring outlets and products that are in high demand in their area. The app allowed retailers to browse a large database of HUL brands' products and choose the ones they required. Shikhar was able to advise stores on which products they needed to stock in order to increase sales, according to the app's data repository.

The Shikhar app allowed retailers to view various discounts and schemes that the company was running at any one time. They might also use voice commands to search for products and receive notifications about order details, shipment timetables, and delivery times. It also had a feature called ShopKhata, which allowed merchants to keep track of things sold on credit and the amount collected. Shopkeepers might also send reminders to consumers about payments owing through ShopKhata.

Several businesses began to use the app, claiming that it made ordering simple and convenient. They could not only order the things they required, but they could also learn about the company's new

products and offers. They claimed that in the past, they had occasionally received things that they had not requested, but that this was not the case with Shikhar.

Shikhar had surpassed 25% of all Indian towns with a population of over 5,000 people by March 2020. The software was used by over a million shops. Several shopkeepers, on the other hand, had downloaded the app but were not utilising it. HUL, for its part, was attempting to increase the app's popularity among shops.

That's when the Covid-19 pandemic started to make an impact in India. The resulting lockdown wreaked havoc on merchants' supply networks across the country, including HUL's. Distributors and salespeople were unable to physically approach retailers to receive orders due to the restrictions in place. As a result, a number of shops have downloaded the Shikhar app and are placing orders directly with the company. More than 3,00,000 retailers were utilising the app by December 2020, with 60% of retailers in towns with populations of 5,000 or more using it. In comparison to pre-Covid levels, HUL's Chairman and Managing Director, Sanjiv Mehta, claimed the company had seen a two-fold increase in order value and the number of stock-keeping units (SKUs) ordered.

Collaborating with SBI

HUL teamed with SBI in October 2020 to provide finance to HUL merchants and dealers. SBI would provide retailers with a fast paperless overdraft facility of up to $50,000 as part of this partnership to enable them clear their obligations with wholesalers. Through SBI's automated digital banking infrastructure — YONO (You Only Need One) app — shops could get instant credit and make UPI-based payments to distributors.

Retailers who used the Shikhar app had access to this feature. SBI Point of Sale devices were to be installed at several HUL touchpoints across the country, allowing clients to make digital payments in smaller communities. The partnership, according to HUL, will enable digital payments between HUL merchants and small businesses in semi-urban and rural locations.

According to Mehta, as many as 10 million shopkeepers in India had difficulty obtaining loans due to their informal operations and lack of use of digital technology. Small retailers and shopkeepers would be able to get financing more quickly as a result of the collaboration. He predicted that shops will be able to obtain credit without having to fill out any paperwork, and that this would be a game-changer. SBI Chairman Rajnish Kumar stated that such alliances would bring millions of traders into the official economy while also assisting them in digitization.

There are about ten million retail locations in India, with general trade accounting for 75 to 80% of FMCG sales. Mehta plans to bring millions of HUL shops onto the Shikhar app platform in the future while avoiding cross-channel cannibalism.

Analysis
Engaging tool for channels

The FMCG behemoth's vast distribution network, as well as how it is managed, is a core competency. The corporation has maintained a stronghold on general trade, which is the most crucial channel in a country like India, for a long time. Small merchants play a crucial role in servicing the needs of millions of customers by making necessary commodities available, so it is critical for corporations like HUL to have strong channel strategies that include them. In fact, India's FMCG industry is heavily reliant on sales from the country's general trade, which includes modest mom-and-pop shops.

Shikhar is a smart retailer engagement solution with a user-friendly interface that allows for store self-service, customer involvement, information transparency, product information, and easy order tracking. Through improved connectivity, the app aids in retailer engagement. It allows retailers to contact directly with the company and view the deals that are being offered as well as the progress of their purchases. It also allows for greater lead conversion.

- It improves visibility and enables the organisation to gain real-time information about the status and size of various orders, as well as channel partner performance.
- It leads to contextual enablement since retailers may be kept informed about new items, product information, the most recent sales pitch, product positioning, and new features that can help them sell HUL's products more effectively.
- Ensuring connectivity, visibility, and contextual enablement can lead to optimisation by creating a continuous real-time feedback loop of communication that can assist the retailer grow his or her business. The software also aids greater engagement with retailers by allowing the company to gain crucial insights from all of the data it collects from them.
- HUL can employ advanced analytics and Artificial Intelligence to better understand customer behaviour, categorise retail outlets using algorithms, and make wiser suggestions to them.
- The organisation can also use the data it has on retailer performance, conversion rates, and lead response times to discover patterns, anticipate revenue, and develop improvement strategies.
- The Shikhar app allows shops to go digital in order to better serve customers and capture market share during the pandemic.

As a result of the epidemic, e-commerce has risen to the forefront of the retail industry. In the face of the distribution issues faced by the shutdown, FMCG companies have chosen to go online to reach their customers. HUL has put its Shikhar app to good use to not only generate sales for the company, but also to help retailers adopt the new world of digitization, taking into account the changing needs of the trade channels. For shops, the app has proven to be extremely beneficial.

Putting the channel partner in a position of strength

Companies should ensure that any channel partner engagement is a win-win situation for both parties. Companies like HUL recognise the value of assisting and supporting their channel partners to generate sales that benefit both them and the brand. Rather than simply incentivizing a channel partner to sell more by offering trade discounts, it makes more sense for a firm to empower channel partners so that they are better positioned to grow their businesses, resulting in increased sales for the company.

Because HUL recognises the importance of merchants, it worked with SBI to sweeten the deal for stores who signed up for the Shikhar app.

HUL enabled retailers who had previously been hesitant to accept or make digital payments to do so through the Shikhar app and a relationship with SBI. Given the social distance norms imposed by the pandemic, merchants had no choice but to accept digital payments. HUL, on the other hand, made it easy for them to make the switch to digital.

HUL has also been able to quadruple the order value and number of SKUs ordered in 2020 thanks to the Shikhar app, which has over 3,00,000 shops on board. The Shikhar app is likely to attract numerous additional retailers as a result of the cooperation with SBI. It's only inevitable that the general trade channels will witness greater digital intrusion in the future. In a country like India, general trade channels will continue to be the most essential channel in the long run, and engaging with mom-and-pop

merchants is critical given the proximity and convenience they bring. HUL will have to be careful to target certain consumer segments and avoid cross-channel cannibalism and channel conflicts.

The Shikhar app not only aids retailers by providing a limited push toward digitisation, allowing them to optimise inventory, place orders, and make payments online, but it also allows them to improve demand capture/fulfillment, customer service, and access to credit in order to expand their business. As a result, it educates merchants to sell more HUL items and makes doing business with the brand easier, while also preparing them to modernise and compete with future channels.

Practical implications

1. **Understanding the Importance of Small Business Support:**
   o Students should recognize the significance of large corporations like HUL supporting small businesses, as this helps in leveling the playing field in the market.
   o Encourage students to appreciate the role of MNCs in not just competing but collaborating with smaller merchants for mutual growth.

2. **Digital Transformation Insights:**
   o Highlight the practical lessons students can learn from HUL's approach towards digital transformation.
   o Emphasize the value of leveraging digital channels in contemporary business strategies.

3. **Case Studies and Research:**
   o Encourage students to explore case studies and conduct research on how HUL has partnered with small businesses.
   o Students should critically analyze the strategies, outcomes, and challenges faced by HUL and similar companies in supporting small merchants digitally.

4. **Networking and Collaboration:**
   o Encourage students to participate in forums, seminars, and networking events related to entrepreneurship and digital marketing.
   o Stress the importance of building relationships with both small business owners and large corporations to understand their needs and perspectives.

5. **Digital Marketing and E-commerce Training:**
   o Suggest that students consider courses or certifications in digital marketing and e-commerce to gain practical skills.
   o These skills will be valuable for working with small businesses and larger corporations in the digital realm.

6. **Innovation and Adaptation:**
   o Emphasize the importance of innovation and adaptability in the ever-changing digital landscape.
   o Encourage students to develop a mindset that embraces change and seeks creative solutions to challenges.

7. **Social Responsibility and Sustainability:**
   o Highlight HUL's commitment to social responsibility and sustainability as a source of inspiration.
   o Encourage students to explore how these principles can be integrated into their future business endeavors.

8. **Market Research and Consumer Behavior:**

o Stress the need for students to understand market research techniques and consumer behavior analysis.
o Explain how this knowledge can help them create effective digital marketing strategies for small businesses.

9. **Entrepreneurial Mindset:**
o Promote an entrepreneurial mindset that values both profit and societal impact.
o Encourage students to think about how their future businesses can contribute to the well-being of society.

10. **Continuous Learning and Growth:**
o Instill the idea that learning is a lifelong process, and staying updated with the latest digital trends and technologies is essential.
o Encourage students to continuously seek new knowledge and skills in the digital domain.

In conclusion, students should approach the topic with a holistic perspective, recognizing that the support provided by companies like HUL to small businesses has practical implications not only for business success but also for social and economic development in India. This understanding can guide them towards meaningful careers in entrepreneurship, marketing, and business management.

Pedagogical Objectives:

1. **Exploring Digital Transformation Strategies:**
- Gain insights into the digital transformation strategies employed by companies like HUL to expand their reach and support small businesses.
- Understand the role of digital channels in modern business operations.

2. **Analyzing Collaborative Business Models:**
- Analyze the collaborative business models where MNCs collaborate with small merchants to achieve mutual growth.
- Identify the advantages and challenges associated with such collaborations.

3. **Case Study Analysis:**
- Develop critical thinking skills by examining real-world case studies of HUL's initiatives to support small businesses through digital channels.
- Assess the outcomes and impacts of these initiatives on both the corporation and the small merchants.

4. **Digital Marketing and E-commerce Knowledge:**

Acquire fundamental knowledge of digital marketing and e-commerce strategies used by corporations to reach consumers.

Explore how these strategies can be adapted to benefit small businesses.

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