Digitizing Micro-business Ecosystems

Supply Chains
This publication is made possible by the generous support of the American people through the United States Agency for International Development (USAID). The contents are the responsibility of CATALYST and do not necessarily reflect the views of USAID or the United States Government.
# Contents

**Context**  
Understanding how supply chains work  

**Case Study**  
Interventions around supply chain digitization in Jaipur, Rajasthan  

**Opportunity**  
Enabling distributors and brands to digitize their retailer networks  

**Designing a business model**  
Key product features  
Building a revenue model  
Key partnerships  

**Concluding thoughts**
Context

Understanding how supply chains work

Supply chains are an economy's lifeline – they comprise of a multitude of organizations and systems working together to bring goods and services from manufacturers to end consumers. The retail supply chain in India alone employs over 40 million people. As is evident from the diagram as the goods and services move further downstream, cash transactions begin to dominate and the nature of intermediaries turns informal. This is particularly true in the case of supply chains that service low-income communities. Often times, this is at the cost of transparency, with abundant leakages and inefficiencies in the value chain.

A quick synopsis of the key stakeholders in most supply chains is outlined below:

**Brands / Suppliers**
The principal agency in a supply chain can vary between a large brand with a pan-country presence (eg. HUL) to smaller local suppliers covering a local geography (eg. suppliers of grocery staples such as oils, pulses etc). Brands represent the most formal entity in the supply chain, transacting through the banking infrastructure (cheques and digital transactions) and dealing mostly with wholesalers and distributors.

**Distributors**
Distributors purchase products and services from brands and supply these to individual retailers, often in hundreds or even thousands, at wholesale prices. Compared to retailers (especially the small ones that supply to the mass market), distributors tend to be larger organisations with a digital footprint and the ability to raise credit from formal sources. In terms of size, they can range between very large, sophisticated establishments with thousands of crores of turnover per year to smaller ones that do a business of upto Rs.1–2 crores per year, are family-run and employ a workforce of less than 20 people. On one hand, dealings with brands entail upfront payments made through the formal banking infrastructure, on the other hand, cash and cheque transactions dominate dealings with retailers. As a consequence, distributors play the critical function of providing credit to retailers (typically by collecting post-dated cheques from the retailers), a function that tends to lock a large part of their capital.
**Retailers**

The mass market in India is still largely serviced by small retailers, which are typically family-run, hyperlocal shops that transact in cash and cheque for upstream distributors, and primarily in cash for downstream end consumers. They tend to be capital stressed and without access to formal sources of credit, and often depend on the distributors to provide them credit to hedge against inventory risk. Depending on their size and category, they typically deal with over 50 distributors who they transact with and source from regularly. A significant share of their sales are “informal”, resulting in a disincentive to digitize payments.

**End Consumers**

In the mass-market segment, end consumers invariably transact with local retailers in cash. Even with the proliferation of large formal retail chains, this segment typically purchases most of their household needs from neighbourhood kirana stores. These transactions are typically micro-sized and are often made by various members of the household, including agents like domestic help.

**Against the backdrop of these varied and diverse retail supply chains, CATALYST conducted a set of experiments in Jaipur, Rajasthan seeking to explore the potential of digitizing key parts of the supply chain. As a part of these efforts, CATALYST focused on three distinct retail categories: dairy, pharma and FMCG. Each of these supply chains have unique characteristics and accompanying challenges for moving them from cash/cheque to digital. CATALYST’s interventions were focused on the retailer-distributor transactions wherein the working capital stress and operating inefficiencies were the most acute and hence the opportunity to mitigate these through a digital solution seemed most plausible. Summarised below are some differentiating parameters between the three supply chain categories, which also highlights varying opportunities to digitise across the three:**
<table>
<thead>
<tr>
<th>Category</th>
<th>Average distributor margin</th>
<th>Transaction ticket size (retailer – distributor)</th>
<th>Principal decision maker in value chain</th>
<th>Number of distributors per retailer</th>
<th>Invoicing and payment cycle (retailer–distributor)</th>
<th>Digital financial readiness of retailer and their customer base</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMCG</td>
<td>3–10%</td>
<td>Rs 1000–3000</td>
<td>Brand</td>
<td>50</td>
<td>Weekly</td>
<td>Medium</td>
</tr>
<tr>
<td>Pharma</td>
<td>12–25%</td>
<td>Rs 600–1000</td>
<td>Distributor</td>
<td>100+</td>
<td>Weekly</td>
<td>High</td>
</tr>
<tr>
<td>Dairy*</td>
<td>0.5–1%</td>
<td>Rs 15000</td>
<td>Dairy board/distributor</td>
<td>5–10</td>
<td>Daily</td>
<td>Low</td>
</tr>
<tr>
<td>Digitization potential</td>
<td>The higher the margin, the greater affordability and willingness to pay for the convenience of digital transactions</td>
<td>The higher the ticket size the greater the propensity of transactions to be open to digital payments given inconvenience of handling cash</td>
<td>If the principal decision maker is on board, the digitization efforts will likely face less friction from actors downstream</td>
<td>Fewer and more concentrated distributors, more is the ability to influence retailers to pay digitally</td>
<td>Higher the frequency the more tedious to digitize as retailers need to make more bank trips to convert cash from their customers to digital money</td>
<td>Retailers that belong to lower demographic segments (e.g., less educated, informal) show lesser capabilities to adopt digital (e.g., don’t have bank accounts)</td>
</tr>
</tbody>
</table>
Across all the experiments conducted, it was observed that Pharma distributors were best prepared for digitisation and to drive that change downstream to their retailers. This could be attributed to the ability of distributors to wield influence independent of the brands, existing retailer infrastructure to accept digital consumer payments (for example, PoS machines) and greater retailer digital capabilities.

A deeper dive into these supply chains revealed the following pain points that are faced by brands, distributors and retailers, pointing to the need for digitization, and in some cases, barriers to digitization.

### Lack of granular data across the value chain

The predominance of cash-based transactions and manual bookkeeping amongst smaller retailers, while convenient, creates a retail data void that leads to sub-utilisation of ground resources of brands and distributors in terms of their ability to target end customers more effectively. It also reduces their ability to frame a product and service strategy that builds off ground-level inputs (eg. which products sell where, to whom, and at what velocity).

**Design principle#1**: Demonstrate business potential to retailers through potential use of data
Inefficiencies in the value chain

Manual collections and reconciliation by distributors introduces inefficiencies into the system in the form of long cash realization times (and the accompanying value loss for the distributor), manual errors in tracking, accounting and reconciliation, cash mishandling and pilferage.

Additionally, since distributors are invariably expected to pay brands digitally, the burden of digitizing the cash from retailers falls on them. Money collected by collection agents needs to be pooled centrally, counted and deposited in the bank. This is not only resource intensive, but also leads to further losses with bank deposit fees etc.

**Design principle#2:** Automate workflows to make human resources more productive, reduce error, and increase speed, wherever possible

Finally, cash transactions and manual bookkeeping makes compliance with tax laws time-consuming and expensive for distributors (and retailers). Given the recent push by the Government on tax compliance, this is an immediate concern for larger and more formal distributors. Even for smaller distributors and retailers, it is a matter of time before compliance with tax laws becomes an important consideration.

**Design principle#3:** Ease tax compliance for distributors and retailers concurrently
Lack of formal credit in the chain

In supply chains, the role of the creditor is often played by the distributor. By some estimates, up to 50% of distributor capital is locked in providing credit to retailers in certain supply chains like FMCG. This capital can instead be invested towards better business outcomes for the distributor. Credit is also not the core competency of the distributor, and therefore is provided conservatively. As a result, it may limit the sales benefit to distributors and brands from more efficient trade credit both in terms of retailer penetration and performance-based credit lines.

In other supply chains like dairy, retailers are relatively underbanked and lack access to any formal credit. As such, they depend on distributors for credit. Lenders also find it hard to assess the creditworthiness of such retailers in the absence of proper historical records, so even though many retailers may be running successful businesses for years, they have no window into the formal economy.

Design principle#4: Find channels to ease the credit stress for the distributor while preserving their role in the system
Case study

Interventions around supply chain digitization in Jaipur, Rajasthan.

CATALYST conducted a set of pilots in Jaipur seeking to digitize transactions between Retailers and Distributors. It was noticed that across the three supply chains of Dairy, Pharma and FMCG, the distributors tended to pay the brands digitally but received cash (or cheque) payments from retailers. In turn, retailers received mostly cash payments from consumers.

Objectives of the CATALYST Interventions

- Providing a digital payment solution so retailers could pay distributors digitally based on the assumption that this would then incentivize retailers to accept payments digitally from consumers.
- Providing other value-added services to distributors and retailers such as digital invoicing, reconciliation of invoices against payments and maintaining a digital transaction history.
- Understanding the design of a digital product appropriate for this segment and arriving at a viable business model for a third-party solution provider.
- Evaluating the business model of payments in the FMCG/Dairy/Pharma supply chain and identifying a go-to-market strategy to influence and drive adoption by the retailer, testing various mechanisms such as distributor influence and incentives.
The Intervention in brief

CATALYST worked across the three supply chains of dairy, pharma and FMCG to address the pain points mentioned above by digitizing the interactions between retailers and distributors. CATALYST worked with a digital solutions provider, PayBee, to better understand the nuances of the business model that they could deploy across supply chains. Broadly the intervention consisted of the following components:

- Digital invoice generation against purchases
- Generation of pull payment links from distributors to retailers
- Processing of digital payments from retailers
- Reconciliation of payments against invoices for distributors
- Better compliance with tax laws, especially GST

Analysis of the three supply chain experiments

- Larger distributors tend to be more receptive to digitization and there are several reasons for this:
  - Due to their scale of operations, transparency down the supply chain has a very significant impact. It helps in cutting down cash handling charges, infidelity on part of collection agents and reduces the transit time of cash.
  - They have more means in terms of time, money and human resources to spend on experimental and disruptive improvements to business.
  - They have a longer term perspective and a better understanding of the inefficiencies and hidden costs in their operations.
• There are significant benefits of instant credit and time efficiency that
digitization provides in comparison to collection of cash/cheques
from the retailers and its subsequent deposits to bank accounts.

• It is difficult for small distributors to understand the immediate effects
of digitization:
  - Smaller distributors may be wary of anything on which they have
to incur extra costs and will likely choose to focus on short-term
costs over long-term benefits. As such, they may need
handholding to understand the long-term benefits of digitization.
  - Smaller distributors are also less aware of hidden costs that make
their operations inefficient and lack the capacity and mechanism
to discover these costs and may need help on this front.
  - Small distributors are unable to perceive the business value in
accepting digital payments, as most retailers pay them in
cash. This can often result in behavioral inertia.

• Across verticals, distributors may have varying levels of influence on
the supply chains they are part of. For example, in the case of pharma
(unlike FMCG), where distributors may hold licenses to supply multiple
brands in a geography, there may be overlaps in territories serviced
by them. Therefore, pharma distributors tend to be more empowered
and agile, especially when it comes to making decisions such as
digitization.

• While many distributors face pain points in current retailer collections
and see value from going digital, their retailer bases are challenging
to convert given cash-based end-consumer transactions, and
inability to internalize the value of digital (eg. due to multiple
distributors, informal nature of sales).
Opportunity

Enabling distributors and brands to digitize their retailer networks

Supply chains serving Indian consumers are massive economic engines, the size of which is illustrated here through a few key statistics:

- There are over 30,000 distributors across the country across various supply chains
- Approximately 15 million retail outlets transact every month
- Over 300 million invoices are collected every month, primarily in cash and cheque
- Over 90% of these supply chains operate within the unorganised sector

New enabling infrastructure (e.g., Aadhaar, UPI) and favorable environment (e.g., GST) have created the perfect storm for rapid digitization of these supply chains.
Opportunity 1
Bringing real-time visibility across the supply chain

Opportunity 2
Reducing inefficiencies inherent in cash dominated supply chains

Opportunity 3
Freeing the distributor from the role of creditor by opening up avenues for formal credit for retailers

Opportunity 4
Easing compliance with modern tax policies
Opportunity 1

**Bringing real-time visibility across the supply chain**

With digital payments, invoicing and reconciliation, the previously opaque downstream segment of supply chains can be made more transparent. This visibility will not only benefit distributors, who can streamline their on-ground strategy by more effectively using their sales staff but also benefit brands who will get more reliable and real-time data on flow of their products and services. Furthermore, this transparency may eventually benefit small retailers as well, who currently do not follow any standard processes to assess the efficiency of their enterprise. It is important to note that many brands will be guarded about their data and any solutions provider will need to address these concerns, especially in supply chains such as FMCG, which are dominated by brands.

Opportunity 2

**Reducing inefficiencies inherent in cash-dominated supply chains**

Cash-dominated supply chains usually depend on other manual processes such as manual maintenance of records, physical cash collection, centralized accounting, deposits to banks, and such. These processes not only require deployed resources but also lead to pilferage and mishandling costs. CATALYST’s interventions in Jaipur pegged these losses at around 0.5% to 0.75% of the total revenue for the distributors.² Digital uptake, including digital payments, automatic reconciliation against invoices and integration with distributor ERPs can reduce these inefficiencies and address these losses. They can also reduce payment cycles, thus resulting in additional float revenue for distributors across potentially large retailer networks.

² Mapping the merchants mind – An analysis of digital payment behaviors by fixed store merchants in Jaipur, CATALYST at IFMR, May 2018.
Opportunity 3

**Freeing the distributor from the role of creditor by opening up avenues for formal credit for retailers**

By maintaining a proper transactions history, digital payments will ensure that retailers generate trackable and verifiable data on their willingness as well as ability to pay, which can then be used by formal credit organisations especially digital lenders to underwrite loans. By acting as creditors, distributors often end up with large parts of their capital locked in the day to day business. This capital can be better used for other strategic purposes such as driving sales. The promise of downstream digitization in supply chain will attract financial service providers (FSP) to enter the market by providing credit to retailers and easing the burden on distributors. Bringing FSPs into this market may also lead to further product innovation and lead to to a more vibrant ecosystem. By embedding themselves into supply chains, FSPs can also mitigate collection risks.
Opportunity 4

Easing compliance with modern tax policies

Distributors are larger organisations that tend to be tax compliant, and even more so after the GST reforms. GST is a catalyst for behavior change with increased cost of noncompliance in the form of monetary penalties and forgone economic incentives. It however requires an arduous process to comply, for example, as many as 3 filings per quarter, which translate into an increased cost burden (e.g. accountant fees, time and data burdens). Digitization of distributor invoices and payments can streamline these processes, and reduce the time and money required to comply. Integration of transaction platforms with their ERP and accounting systems that facilitate automated reconciliation and bookkeeping will ease the tax workflow significantly for distributors.

Additionally, digitization will help compliance downstream as well. The government is keen to nudge the huge informal sector in the country towards enhanced tax compliance. Currently, many retailers simply choose to operate outside of the tax system and in the short-term some may be hesitant to take steps towards formalization. However, with increased government scrutiny and improved information systems, eventually more and more retailers will be forced to become GST compliant. This would be a much more daunting prospect if the ecosystem remains cash dominant and riddled with inefficiencies that manual processes entail. Digitization, as in the case of distributors, will ease the transition towards tax compliance especially for small retailers who have little time or money to engage in manual accounting.
Designing a business model

This section focuses on some key components of an effective solution design that could transform the supply chain by digitizing large components of it. It is clear from emerging opportunities that for a solution provider in this ecosystem, the primary customer will invariably be the distributor. It is the distributor that faces significant pain points from current modes of business activity, is able to internalize maximum value from digitization of supply chain operations, and therefore should be willing to pay for products that are able to demonstrate and drive new value creation. The challenge for any solution provider therefore is to understand the business operations of distributors deeply, prioritize and invest in developing relevant product features that create more value for distributors. This would entail focusing on helping distributors better serve their retailers, but also better engage with brands and other partners or vendors on the back end, or integrate seamlessly with existing solutions that already do this. Third party service providers, especially digital lenders can be engaged for working capital needs, but distributor channels would still be the primary conduit for such offers to retailers. The playing field of solution providers that serve distributors offers some white space with not many players operating today.

Other stakeholders such as retailers and the brand as well as other third parties (such as financial service providers) can be important secondary customers. It is imperative that solution providers have clarity on such a framework to guide their investments and prioritization decisions.
Key product features

Facilitating digital payments between retailers and distributors

This is a key feature necessary to gain traction with distributors. However, value added services that are provided on top of the transaction gateway will both drive long-term value for distributors and retailers as well as bring revenue to a solution provider. Some of these services are listed below:

- Consolidated invoicing where bulk invoices (preferably through commonly used communication channels like WhatsApp) can be sent across a large pool of retailers triggered by a single instruction flow.

- Easy-to-navigate payment collection flows that are integrated into digital invoices to nudge digital payment behavior of counterparties. Solution providers could offer different payment modes based on demographics and usage patterns of retailers and of course, distributor preference. Also, given that retailers may need to be educated and on-boarded to new payment modes like UPI, it would be critical for products to facilitate effective and delightful ‘first time use’ experiences as success of initial trials are critical to sustained conversion.

- Automatic reconciliation of retailer payments against invoices is a particularly critical feature that can save significant distributor costs and efforts. Solution providers should invest in carefully thought through workflows, insightful metrics, and intuitive dashboards that clarify follow up actions that may need to be undertaken.
Leveraging new payments collection infrastructure available in the public domain to build digital workflows optimized for supply chains

New payment technologies like UPI enable instant bank-to-bank payment collections that can be remotely initiated using mobile phones. These services are made available by most banks through open APIs and Software Development Kits (SDKs) that support both retail and enterprise payments based on predefined, transparent fee structures (with pricing for wholesale transactions significantly lower than retail transactions). Intermediaries building solutions for distributors can easily leverage these services to build workflows that add value on top of them (e.g., informational exchange, analytics, matching & reconciliation of accounts).

Certain additional payment functionalities may further help simplify automatic collections and digital payments across supply chains, and reduce processing times (such as e-mandate which some reports suggest have led to a dramatic drop in processing times from 21 days to 2 days³). In particular, e-mandate is a mechanism meant to facilitate recurring payments, where bank accounts of customers may be automatically debited (protected by passwords and other security features) by recognized service providers based on electronic, paperless signatures. In the case of supply chains, this would mean that distributors can automatically debit retailer accounts through an e-mandate.

³ https://razorpay.com/e-mandate/
Structured, deeper data insights based on longer term patterns of use

Once the operational business flows are automated and digitized, and a data trail begins to emerge, there is an opportunity to provide more analytics driven insights that can help distributors and brands augment their revenues and get better yields on their efforts. This could include insights around:

- value-based segmentation and targeting strategies (including incentives, promotions, product mix)

- business flows and opportunities to cross-sell or up-sell a larger financial product suite (including but not limited to credit)

Value added features akin to a light-weight CRM

While these may not be an immediate priority, building features that allow distributors to service their retailers better through a light-weight customer relationship management (CRM) application could improve customer stickiness. Basic modules of such a CRM would include a transparent grievance redressal mechanism, contextual distributor–retailer communication, a 360 view of a retailer’s profile including historical data on the business relationship and a snapshot of ongoing/current communication.
Approach to user experience and user interface

Designing a user experience and a user interface (UX and UI) that works well across use cases is necessarily an agile, iterative process moving constantly between needs discovery, design and testing. Summarized below are some insights into UX and UI design in this ecosystem:

- Investing in user experiences on mobile devices is more appropriate for smaller distributors where back-office work on desktops and laptops is usually limited and the workforce is more adept at mobile usage. Mimicking certain UX and UI patterns of dominantly used applications (such as WhatsApp) that are already familiar to prospective users, can significantly reduce the learning curve and ensure fewer drop offs.

- Building a user interface in local language is often a must.

- It is important to cater to users who may use the application while being on the move. In-field usage conditions often require a different focus from designers to develop effective applications and may include features such as:
  - Low data consumption
  - Ability to work offline and then sync when data network is available

- Role-based user functions (for roles such managers, collections agents, accountants etc) with configurable permissions and approval flows.
Integration with existing software infrastructure at the distributor end

Distributors, based on their scale of operations may or may not have sophisticated accounting and inventory management systems. However, wherever distributors have invested in such systems and routinely use them, integrating new solutions with existing ones is likely to be a key product feature. This could be done through API level integration and there may be an opportunity to do so with a standard back-end system which many large distributors are using as a platform thus ensuring immediate scalability.

Where these distributor level softwares and applications do not exist, solution providers have an opportunity to develop light-weight book-keeping and inventory solutions as part of their long term product roadmap. Starting small through even manual features like uploading excel files can begin to bring more data into the system which will be invaluable.
Developing retailer centered products in the long term

A solutions provider can begin to use certain distributor workflows as a channel to ultimately focus on retailers and their ability to deliver to the last mile. This would require another set of features and functionalities that help them ‘own’ the retailer relationship and eventually perhaps disintermediate the distributor. Among other things, this could imply:

- A stand-alone retailer app
- Developing ordering capability on the platform to cater to retailers
- Developing referral flows for retailers to bring a broader set of distributors onboard
- Partnering with third party service providers who will then leverage this retailer base to deliver their product and service. The solutions provider can then charge third parties for leveraging their captive retailer base.

This space, however, is far more competitive and crowded than the one where the solution provider is targeting the distributors.

As a word of caution, solution providers should define their primary customers (e.g., distributors vs. retailers) and prioritize product roadmaps to provide maximum value to them. Trying to cater to multiple customers may dilute efforts and effectiveness.
Developing a revenue model

Discovering Value and Negotiating a Pricing Model

Digitizing B2B transactions in supply chains is a relatively new phenomenon with very few players in this space and no real precedence of a revenue or a pricing model. Most distributors in the country have not experienced a paid model for collections and have instead deployed in-house collection teams. As such, the pricing will have to be experimented with and optimized over time. This can be a process as follows:

• Undertaking a diagnostic to gather financial data from distributors to understand the volumes, costs and sources of potential value latent in their operations. Often simple surveys do not elicit accurate information, and this may require a ‘free pilot’ which enables privileged access into their operations. Identifying ‘anchor customers’ to partner on this pilot is always a good way to start the solutioning journey.

• Conducting a pilot in a small region to calculate and demonstrate the value that digitization can bring to the distributor in terms of a ‘before and after’ view. The information could be presented as:
  - What proportion of working capital, which was previously locked in pending retailer payments, has now been released?
  - How has digitization impacted efficiency of operations especially in terms of sales/collections staff time in terms of reducing the bandwidth consumed in trips to retailers, reduced payment cycle times, and/or reduced compliance costs?
- What is the increase in top line value as a result of higher retailer sales, additional float income, or better ability to engage with upstream brands?

Based on the two points above, an initial pricing model for the distributor can be arrived at which can further evolve over time.

**Pricing model**

Once the value of digitization has been ascertained, a pricing model can be developed which can follow one or both the following principles:

**Subscription fee** which can be either paid monthly or annually (at a discounted rate) and is mostly priced to cover the cost of onboarding. It is also a mechanism to drive stickiness and early customer buy-in. This could also follow a freemium model, where a trial is made available to the distributor at no cost, and converted to a subscription once the value proposition is clear.

**Tiered transaction fee** which is levied on completed transactions (invoice sent and payment received by retailer) and can be priced in a manner that offers discounted fees at higher volumes, also acting as a behavioral nudge to distributors to more deeply commit to the platform.
**Costs**

Summarized below are some key variable costs that a service provider is likely to incur:

**Go to market costs which consist of:**
- Direct sales which will be high in the initial years
- Cost of pilots / freemium models
- Marketing and promotion costs

**Cost to on-board and train retailers:**
This is often a factor of how willing the distributor is to own the ecosystem. In cases such as Pharma, where the distributors are more independent, they may take upon this role completely. In other cases, the solutions provider may have to pitch in, for example, by having a feet-on-street team that accompanies distributor staff to on-board retailers. On-boarding retailers through the distributor is not just sustainable but also more effective as it will entail upskilling the distributor sales staff.

**Incentive for retailers to use digital payments which can be handled in two ways**
- Cashbacks, which are a validated adoption strategy but may not ensure long term behavior change
- Awards and other incentives for achieving a fixed number of transactions

**Cost to deal with grievances and troubleshooting for retailers:**
This may range from email support to small tech support teams to a full fledged call center.
Key partnerships

Summarized below are some key partnerships that will help in making the business model more viable for a solutions provider as well as provide opportunities for growth:

Credit providers

There are two significant pulls to seek a partnership with credit organisations:

- Distributors would like to see more of their float freed up, which may be locked in providing credit to retailers.
- With digitization, more retailers will build up transaction histories that can be leveraged to give them access to formal credit (both working capital as well as business expansion loans).

Partnerships could include a range of FSPs including new, fin-tech lenders and eventually bigger banks and NBFCs. It is however important to consider two factors:

- The role of a creditor currently gives distributors leverage in the supply chain and they may feel threatened if they are completely cut off from the credit ecosystem. This can be mitigated by offering credit against distributor invoices or credit flows intermediated through distributors, among other strategies.

- The credit itself has to be aligned to the business requirements of the retailer and factors such as total or maximum amount of credit, tenure, rate of interest, and processing times need to be carefully considered against existing terms they can get. A solutions provider with large amounts of valuable retailer data available with them can play a significant part in deciding these factors.
Brands

Brands and network principals are critical partners to access supply chains at scale. Armed with strong proofs of concept, solution providers can approach them with a value proposition to enrich data and enhance sales. They currently do not have access to data and sometimes may not even realize value of such transparency. Benefits to brands also indirectly accrue through sales benefits to their distributors. Partnering with brands can also help flag real-time operational issues and over time inform structural improvements in their distribution networks.

Software platforms

Since solution providers will need to integrate with ERPs and other platforms in use by distributors, they can partner with such software platforms to create comprehensive integrations across systems driving better and more real time sync. This is especially relevant for large distributors who tend to use more standardised software platforms.

Concluding thoughts

The viability of a digital proposition for the supply chain depends quite heavily on securing an early buy-in from the distributor so that they can fully engage and exert the necessary influence both downstream (retailers) and upstream (brands/ principals) for the ecosystem to adopt new behaviours and systems. While scale is essential, business viability can be sound even at the level of a single vertical like FMCG, Pharma or others, provided vertical specific nuances are understood and addressed through delightful user experiences and clear value creation.