

# Responding to festive demand



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Festive season is when retailers do most of their annual sales, making it a busy period for retailers who anticipate healthy consumer demand during the period.

Given the urgency attached to the spike in consumer demand during festive season, each organization, large and small plan, prepare, implement and oversee their supply chain strategies to handle peak demand. Retailers also renovate stores and prepare their staff to effectively manage spike and troughs in consumer demand cycles. Planning and managing sales becomes a full time activity for retailers during this period.

Supply chain has assumed critical role in modern day retail due to benefits it offers in effectively managing fluctuating consumer demand. Its' role has become even more critical due to intense competition and growth of the e-retailers. To address this, retailers are now increasingly demanding Supply Chain Solutions services apart from general logistics services to effectively plan and execute their festive season supply chain. This has led to the logistics sector witnessing a spike of 10-15% in volume.

The Logistics sector is fully geared to cater to the increased demand for logistics and supply chain services. It is playing the role of key enabler for retail sectors to meet increased customer demand through assets like trucks, temperature-controlled trailers, warehouses, and distribution centers.

Some logistics firms are also sourcing vehicles from the market to meet sudden volume increase and the sector may witness freight rate hike by 5% owing to higher demand. The freight rates

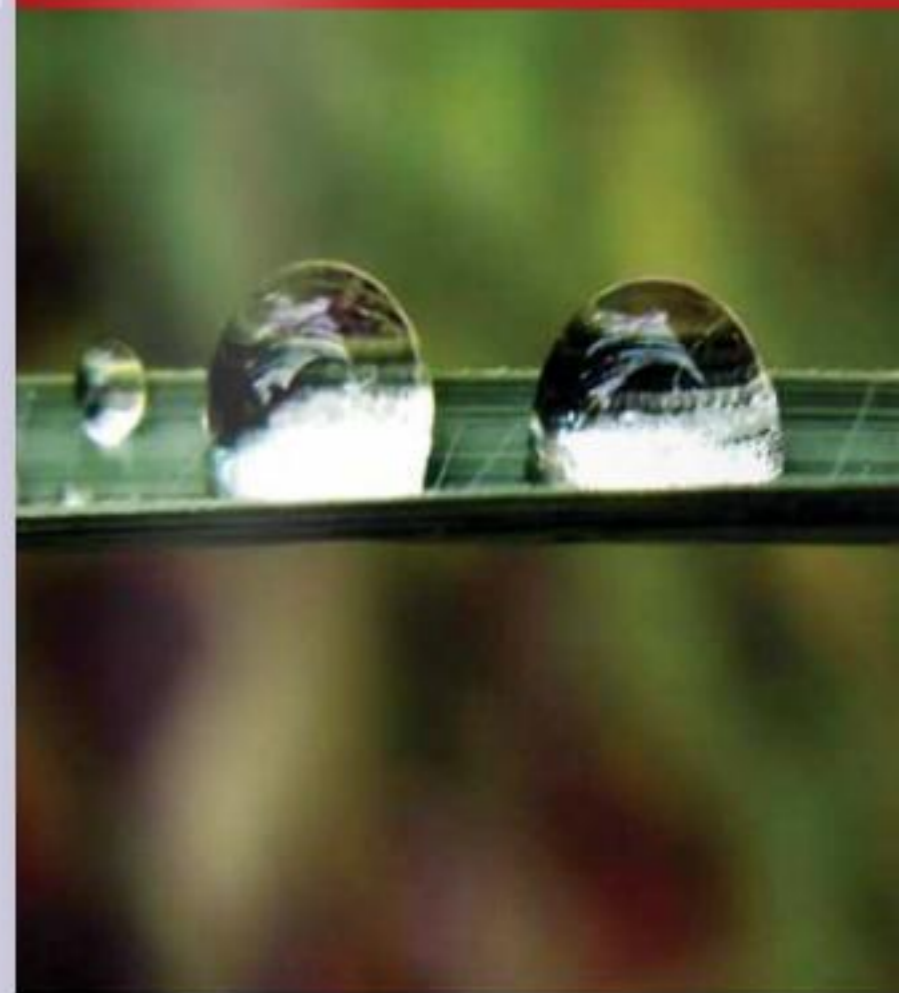
typically see an increase of around 4-5% during this time due to the increase in demand. Another major problem faced during this time is of driver shortage which can lead to stalling of vehicle. Diesel and input prices have also been frequently increasing and these too impact the overall pricing. The increase in diesel prices has impacted freight rates by 5-6% in the last one year. Seasonal and local movements (like sugarcane at this time) can also lead to shortage of vehicles.

3PL service providers like TCI, are known for their ability to provide quick and reliable delivery, and have proven expertise in careful coordination and transportation management. TCI which manages a fleet of 7000 trucks is well placed to address sudden uptick in demand during the festive season and is expecting 10-12% business growth in the cargo segment.

The company is playing a significant role in managing stocks apart from helping retailers in efficient inventory management thus reducing wastage of goods through reverse logistics services (i.e. returnable packing on the inbound side and warrant returns for outbound to retailers).

Due to sustained investment in IT software, the company has been able to anticipate customer need ahead of time. It is providing customized solutions to retailers and has emerged as their logistics partners.

Logistics service providers are also sourcing vehicles from the market to meet sudden increase in demand for logistics services for goods like consumer durables, electrical appliances,



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apparel, foot-wears, garments, gift items, mobile handsets, post material, dry fruits, corporate gifts, furniture & home décor etc. This surge in demand is in line with the findings of Assocham survey which predicts 40% increase in demand for chocolates and around 25-30% increase in demand for dry fruits as a gift item. This demand rise is being witnessed across India especially from North and West to all other parts of the country.

Identifying the latent consumer need for the logistics services during the festive season, logistics firms are increasingly offering their services to end customers directly. These services are not only innovative in nature but also signifies shift in trend in the logistics industry which is from Business to Business to Business to Consumer.

One such example is the 'Anmol Rakhi' service initiated few years ago by TCI XPS, the express delivery service division of TCI. This service has been a huge hit among customers due to the convenience it provides to customers to send a Rakhi to loved ones across 13,000 locations in India and 200 locations abroad within 24-72 hours with a click of a mouse button or just by calling a toll free number.

Services like international air express service to deliver traditional India sweets overseas during Diwali along with gifts are being offered

### Key Trends:

- ▶ Logistics sector is witnessing a spike of 10-15% in volume during this festive season.
- ▶ Major movement of cargo is from North and West to all other parts of India.
- ▶ Assocham survey predicts 40% increase in demand for chocolates and around 25-30% increase in demand for dry fruits as a gift item during the festive season.

by other logistics players. It is basically targeting at the growing number of Indian families who have relatives and friends living abroad, as well as corporates who wish to send their associates abroad a traditional Diwali gift pack. The service providers take care of everything from procuring the fresh or canned mithai, providing robust packaging, managing all relevant documentation and custom clearances and fast and safe shipment.

Logistics players, besides, expanding their service network and offering range of services to accommodate rising demand are undertaking sustained branding exercise. This is to increase brand visibility and build credibility. Firms are also offering special discounts of up to 10% on select service offerings as a run up to Diwali to increase demand.

With the slowdown in the economy, the prominence of the festive season has increased further. Banks extend loans at cheaper rates to boost sales of white goods and automobiles further. Higher disposable income due to good monsoon is also likely to boost consumption further especially in the hinterland thus increasing the demand for the logistics services. Retailers stocking products at their warehouses or are using warehouses of logistics firms in anticipation of higher demand.

Demand for logistics services is already at a high during this festive season and with the evolution of retail landscape this demand is going to grow on a sustained basis. And the sector, on the back of scale, investment in technology, manpower training and state-of-the-art assets is all set to play its destined role in the retail sector growth in India.



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\*Figures are indicative and may differ from case to case.