

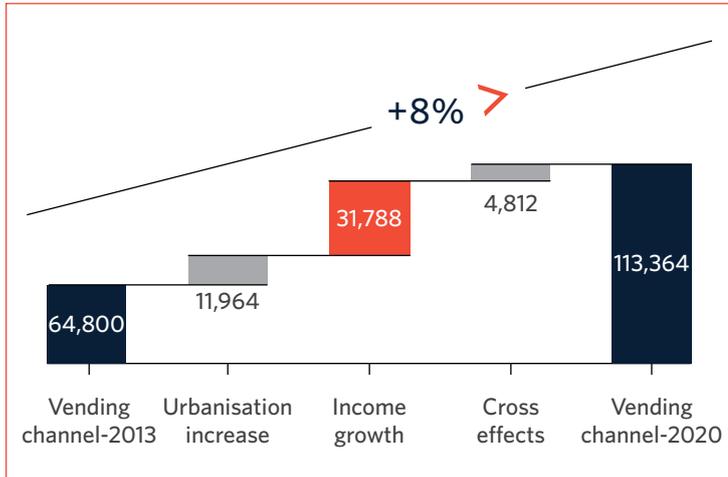


**Areté Advisors**  
THE EXCELLENCE EDGE

# STREET VENDING – AN ATTRACTIVE DISTRIBUTION OPTION

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## STREET VENDING OFFERS A BIG OPPORTUNITY FOR PRODUCT DISTRIBUTION



Urban street vending is a popular channel for selling goods, from fruits, vegetables, ice creams and beverages to clothing, toys, books, household utilities and decorative items. An estimated total of 8 million urban street vendors sold goods worth nearly INR 65,000 crores in 2013. We expect the continuing rapid urbanisation of India, and increasing income / consumption levels will drive a ~8% growth in the channel, to a total size of ~INR 115,000 crores by 2020.

However, the street vending channel remains largely unorganized – few corporates have exploited its potential. It is time corporates addressed this blind spot.

**VENDING IS A VIABLE ALTERNATIVE / COMPLEMENT TO THE RETAIL CHANNEL**

The street vending channel offers several unique advantages for marketers of a large variety of FMCG products:

### 1. Wide Reach

Vending provides enhanced reach across market segments and purchase occasions. Examples include reach at consumers' doorstep, high footfall locations such as markets and transportation terminals, locations that retail shops cannot access (e.g., parks, public monuments), events, etc.

### 2. High Visibility

In contrast to retail stores, vending provides high visibility to brands, because vending outlets carry fewer brands or may even be dedicated to a single brand. For new products, vending can generate initial traction and attention that conventional retail shops fail to provide.

### 3. Induces impulse buying and product trials

A large variety of products can benefit from the ubiquitous presence of street vendors to induce impulse purchases – memorabilia at a sports event, ice-creams at school break time, etc. In addition, vending can effectively induce trials among consumers for new products and thereby build customer franchise.

## OPERATING A VENDING CHANNEL REQUIRES SPECIALIZED COMPETENCIES

Corporates that aim to use this channel will need to develop specialised capabilities in order to operate effectively.

Urban street vendors are often migrants from rural areas, who depend upon a limited range of products to meet their living expenses in the city and to generate surplus income. Vending channel management therefore involves ensuring vendors make more surplus relative to competing urban and rural livelihood options – the traditional approach of pushing stocks into the channel is likely to be counterproductive.

Vendor recruitment is a key responsibility of the sales team, and a big challenge for unknown brands / products. Recruitment is most driven by word of mouth / referrals by a company's existing vendor base, and the development of an initial base of good quality vendors is critical.

### **WHILE THE VENDING CHANNEL IS BEING USED SUCCESSFULLY BY SOME INDUSTRIES, SEVERAL OTHERS HAVE YET TO WAKE UP TO ITS POTENTIAL**

Street vendors operate in a relatively hostile urban environment – constant tussle with municipal authorities and the police, the lock-out of attractive locations / addas by competitors, poor conditions of stay / nutrition, exploitation by channel intermediaries, etc. How channel managers can solve these issues could make the difference between success and failure.

Successful vending requires a granular distribution set-up, often involving intermediaries that may manage as few as 15-20 vendors in a limited geographic area. The corporate marketer's sales team needs to adapt to work with these intermediaries – without losing touch with the frontline vendor.

Street vending is an important sales channel for FMCG marketers in a few product categories – beverage companies like Coca Cola and Pepsico, the cigarette industry, and ice-cream companies have demonstrated that street vending can be an important and perhaps the largest channel for distribution.

However, the channel remains under-explored by a large majority of FMCG industries and players, many of who are well placed to exploit benefits offered by it – for instance, the instant noodles firm that wants to compete with a market leader, the ready-to-eat frozen foods manufacturer that is attempting to establish the market for an entire product category, or the aspiring new chai brand.

With the enactment of legislation that supports the organised development of street vending, the channel is poised to explode. Marketers, take heed!

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Areté Advisors LLP (Areté) is a boutique, sector-focused management consulting firm with offices in New Delhi and Mumbai, India. Arété works with corporate clients in the Agriculture & Foods, Construction, Healthcare, Logistics, Real Estate and Retail sectors.

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