General Guidelines for FMCG Distributors

Recommended by AICPDF for Safe, Efficient & Sustainable Business

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1. Formalize Business Agreements

- Always insist on a written agreement before onboarding any new principal or brand.
- Ensure clarity on return policies, expiry handling, margin structure, termination terms, and credit responsibility.
- Keep agreements simple but enforceable; refer to AICPDF model templates when in doubt.

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2. Define Credit Policy & Delegate Credit Control

- Credit to the market should be fully controlled and sanctioned by the distributor only.
- Never allow company or third-party sales staff to influence or commit credit decisions.
- Follow documented internal checks: customer reputation, past payment history, peer market intelligence.

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3. Avoid Verbal Commitments

- Insist on all communication—PO changes, scheme approvals, credit terms, pricing revisions—in written form (email, letter).
- Train your team to log and escalate any verbal commitments made by company staff that create liability for the distributor.

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4. Track Expiry and Returns Proactively

- Implement a basic FEFO (First Expiry First Out) system to avoid stock obsolescence.
- Demand that all company invoices carry manufacturing and expiry details clearly by SKU and batch.
- Share near-expiry stock reports regularly with brands; request proactive buybacks or schemes.

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5. Be Cautious with Inventory Push

- Never accept stock beyond PO quantities or outside agreed terms—especially near quarter-ends.
- Keep purchase orders tight and review SKU-level sales before accepting any dispatches.
- Avoid becoming a dumping ground for slow-moving or unsaleable inventory.

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6. Control Incentives & Staff Ethics

- Do not allow your team to receive direct cash, rewards, or gifts from company staff or promoters.
- Enforce a zero-tolerance policy on indirect commissions, schemes, or personal gifts—this protects long-term integrity and avoids conflicts of interest.

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7. Build a Disciplined Credit Recovery Process

- Allocate a dedicated team member or process owner for credit collection.
- Set clear SOPs: ageing reports, reminders, escalation.
- Avoid carrying bad credit beyond 45–60 days unless explicitly approved and secured.

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8. Use Technology (Even Basic Tools)

- Maintain updated digital records of customer-wise sales, credit, and payment status.
- Use basic tools like Google Sheets, Tally, or distributor ERPs where feasible.
- Consider geo-tagged beat planning apps and stock visibility tools for better execution.

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9. Invest in Your Team

- Hire reliable feet-on-street who understand local market behavior and credit risk.
- Train your staff regularly on schemes, price control, ethical selling, and how to handle company sales staff professionally.
- Encourage feedback loops from field to management—most risks emerge from bottom-up.

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10. Strengthen Collective Voice

- Actively participate in state-level associations and AICPDF platforms.
- Share data and field-level insights to build pressure against unfair trade practices.
- Use AICPDF resources to educate your team, negotiate better terms, and escalate policy violations.

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11. Prepare for Termination Risk

- Avoid overdependence on any single brand.
- Keep financial exposure (stock and credit) limited to manageable levels.
- Always have mutual-exit clauses documented; and ensure time for market recovery in case of a break.

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12. Protect Your Margins & Market Credibility

- Avoid deep discounting or undercutting in the name of volume.
- Focus on building value over just price; profitability is the real enabler of business continuity.
- Maintain good relationships with retailers but stay firm on payment and credit norms.

Final Note

You are not just a delivery partner—you are the face of FMCG in the market. Your capital, team, and reputation keep the system running. Let no agreement, sales push, or temporary relationship undermine that.