

A photograph showing a man in a yellow t-shirt pushing a handcart loaded with large white boxes labeled "KEEP IN COOL AND DRY PLACE". He is moving through a crowded outdoor market where other people are selling goods from their carts. The scene illustrates the challenges of logistics in rural or semi-rural African markets.

McKinsey&Company

Perspective on the Africa Route-to-Market Challenge

October 2014



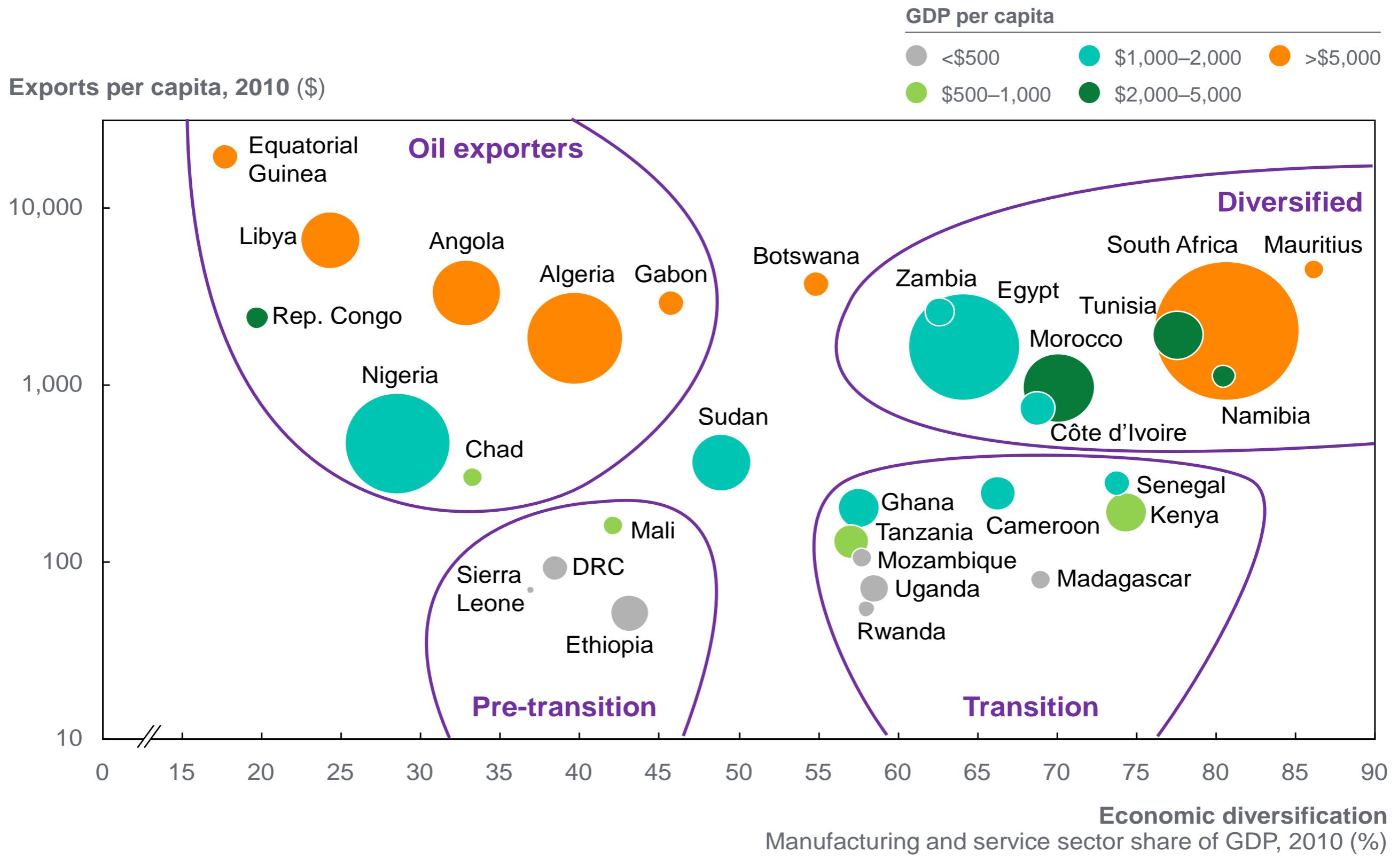
1 Where to play

2 How to win

DON'T TRUST YOUR INTUITION GET THE FACTS

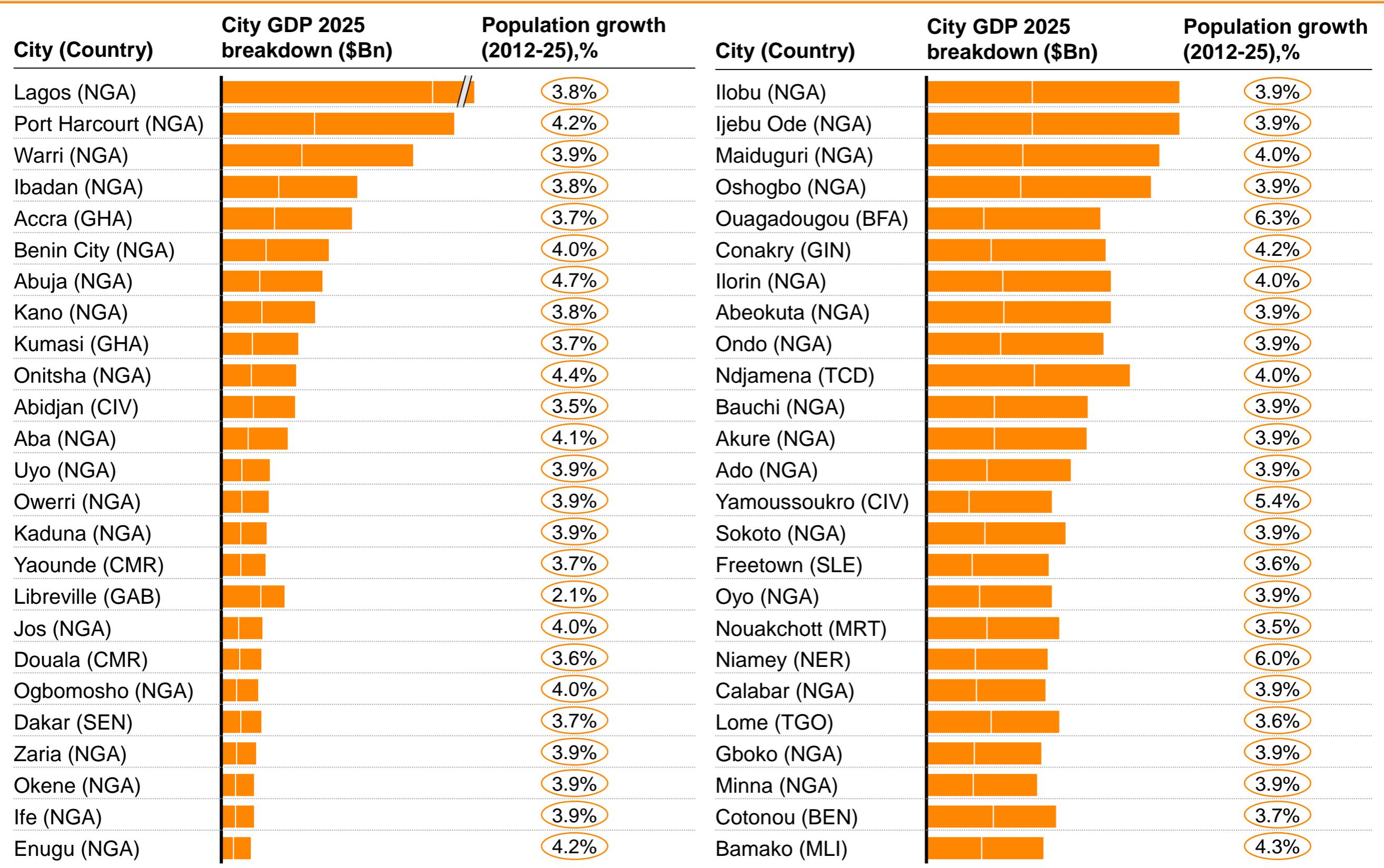


Prioritise early: decide where you want to play



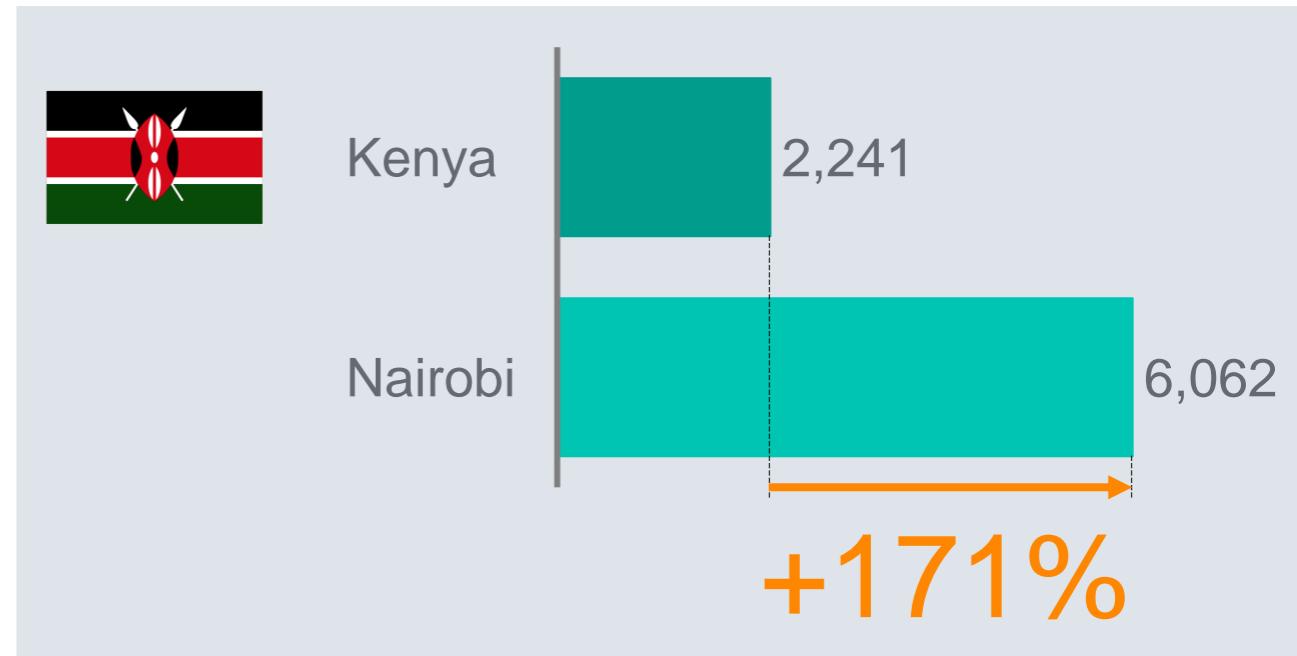
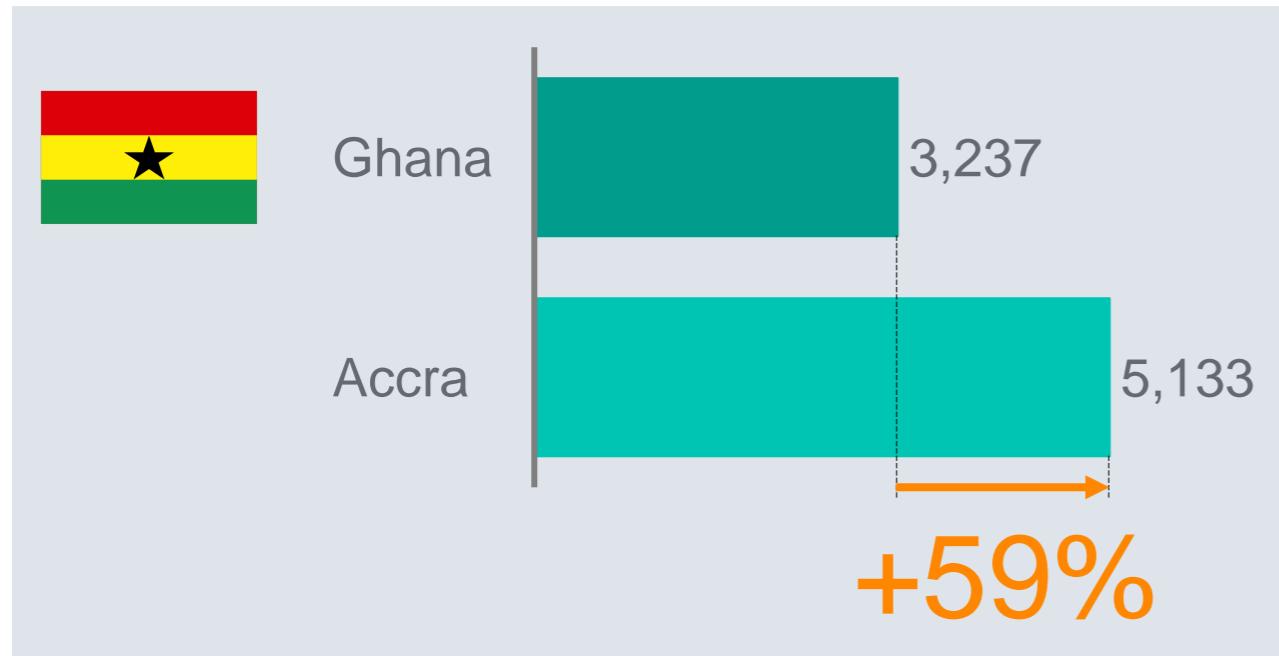
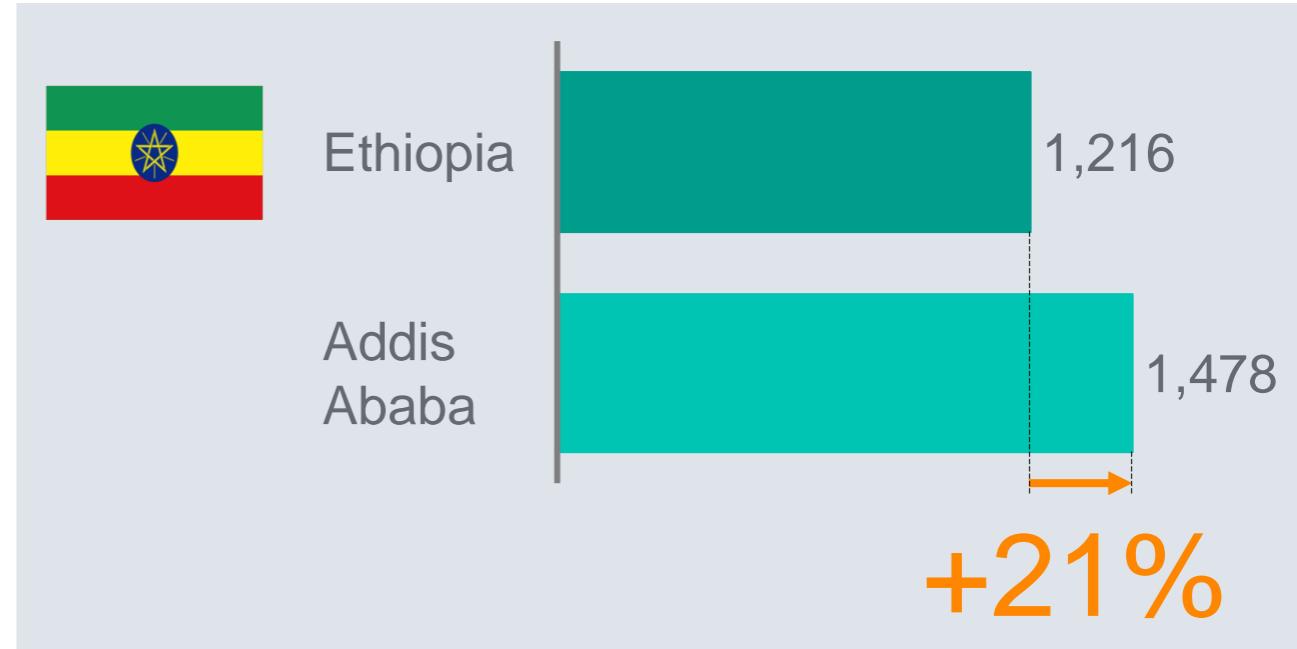
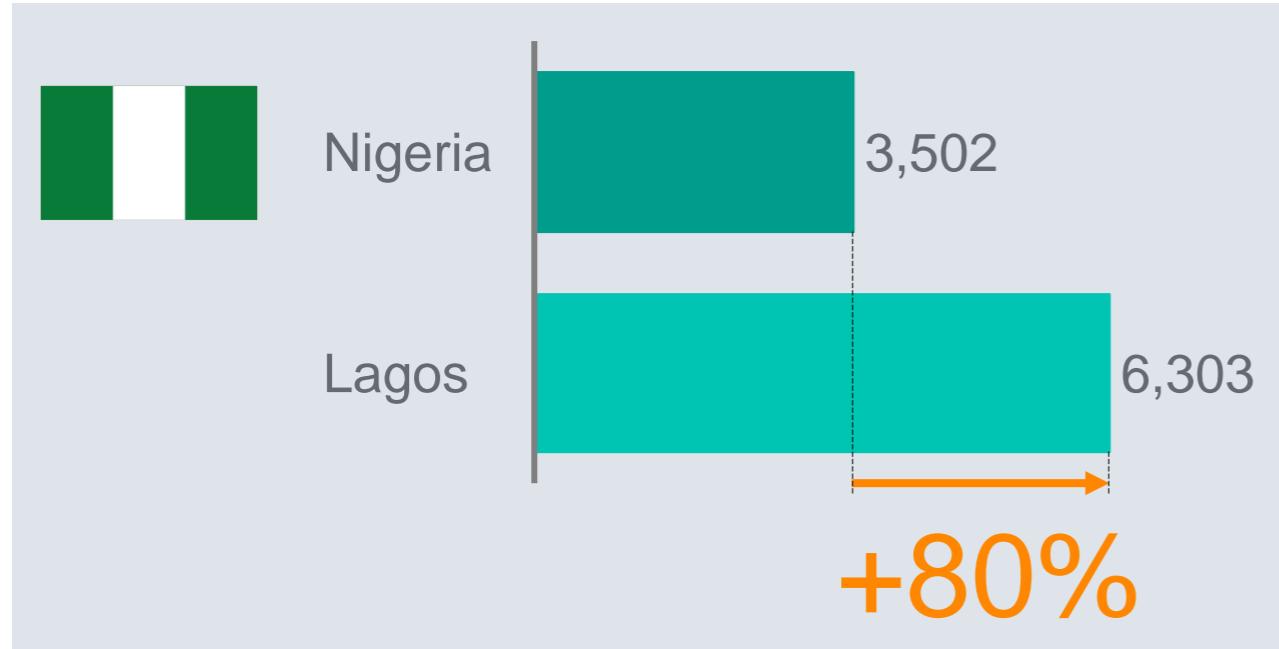
NOTE: We include countries whose 2008 GDP is approximately \$10 billion or greater, or whose real GDP growth rate exceeds 7% over 2000–08. We exclude 22 countries that account for 3% of African GDP in 2008.

Think cities, not just countries: 50 cities expected to see ~\$450bn additional revenues by 2025



Think cities, not just countries: per capita consumption can be 2x as high in cities

Consumption per capita, 2010
USD, real 2005 prices



NOTE: Not to scale.

A close-up photograph of a young African child with dark skin and curly hair, wearing a green and white striped onesie. The child is looking upwards and to the right while a white spoonful of food is held near their mouth.

Baby food

- 1 Lagos**
- 2 Dar es Salaam**
- 3 Dhaka**
- 4 Ouagadougou**
- 5 Khartoum**
- 6 Ghaziabad**
- 7 Sanaa**
- 8 Nairobi**
- 9 Luanda**
- 10 Baghdad**

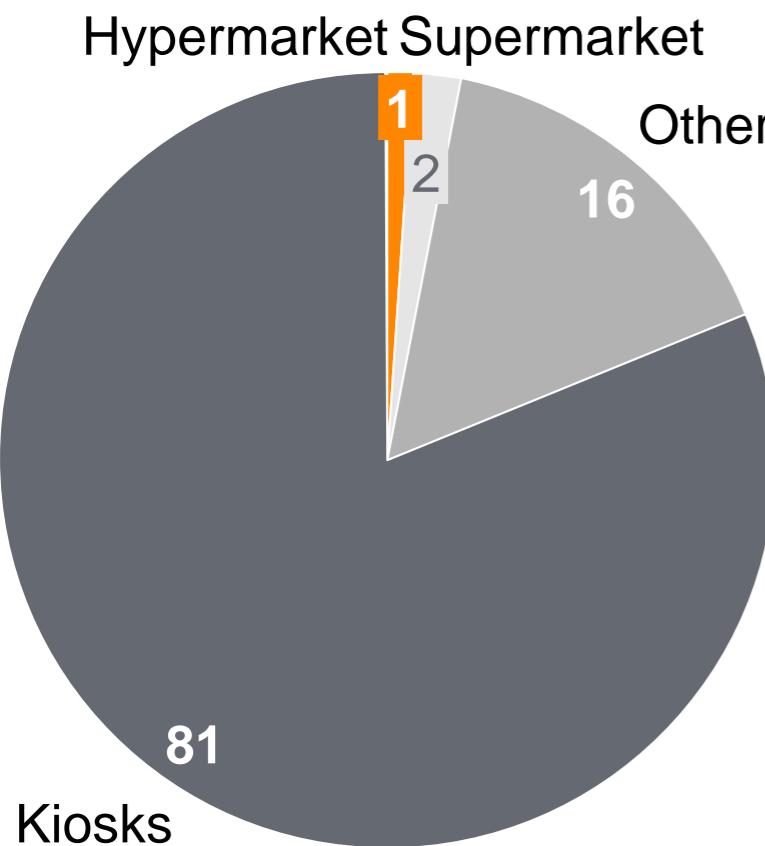


Identify the right channels:

In Nigeria, large retailers only accounts for 3% of grocery retail sales

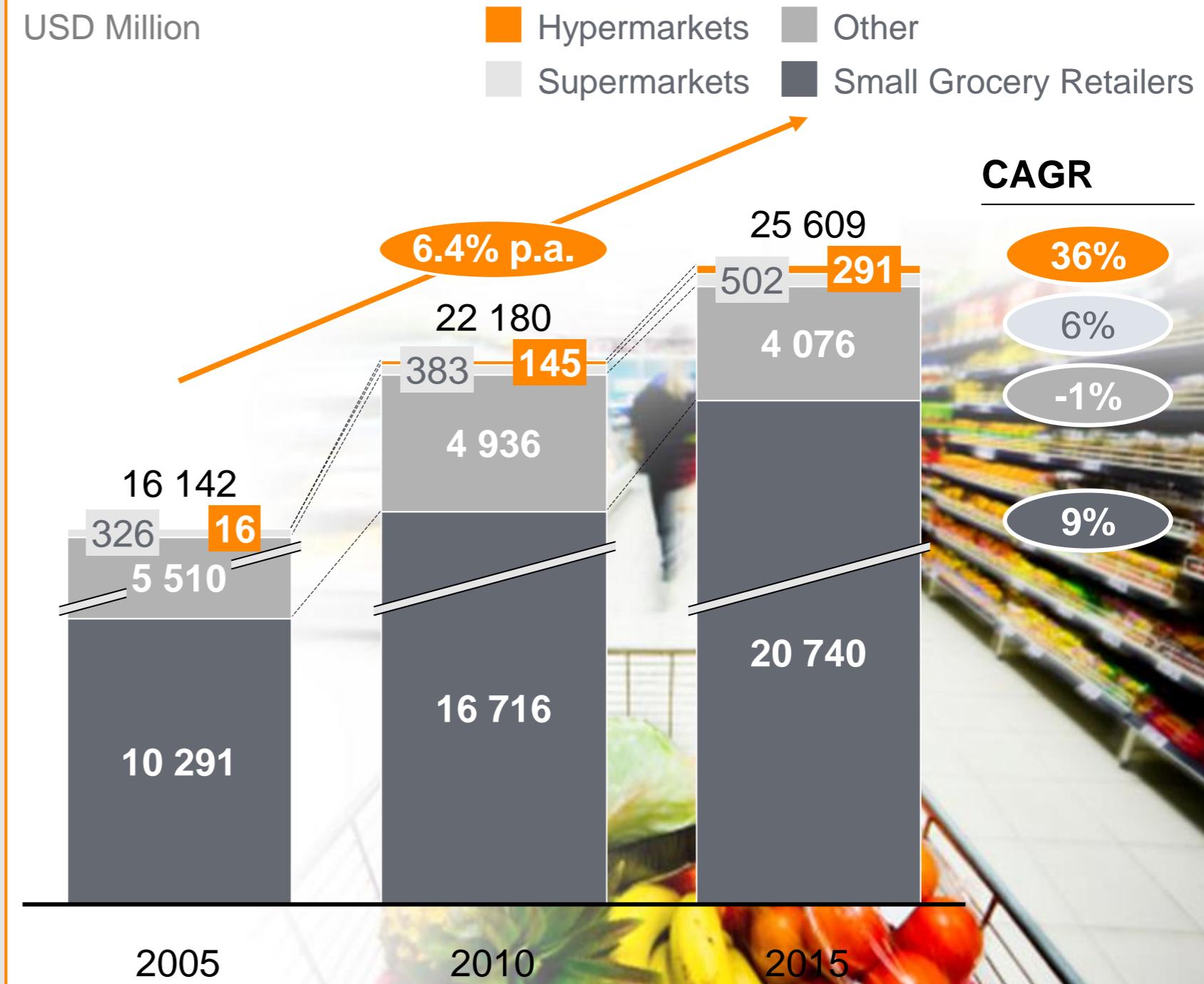
Small kiosks dominate the retail industry

% Retail Industry



Hypermarkets are rapidly increasing in popularity

USD Million

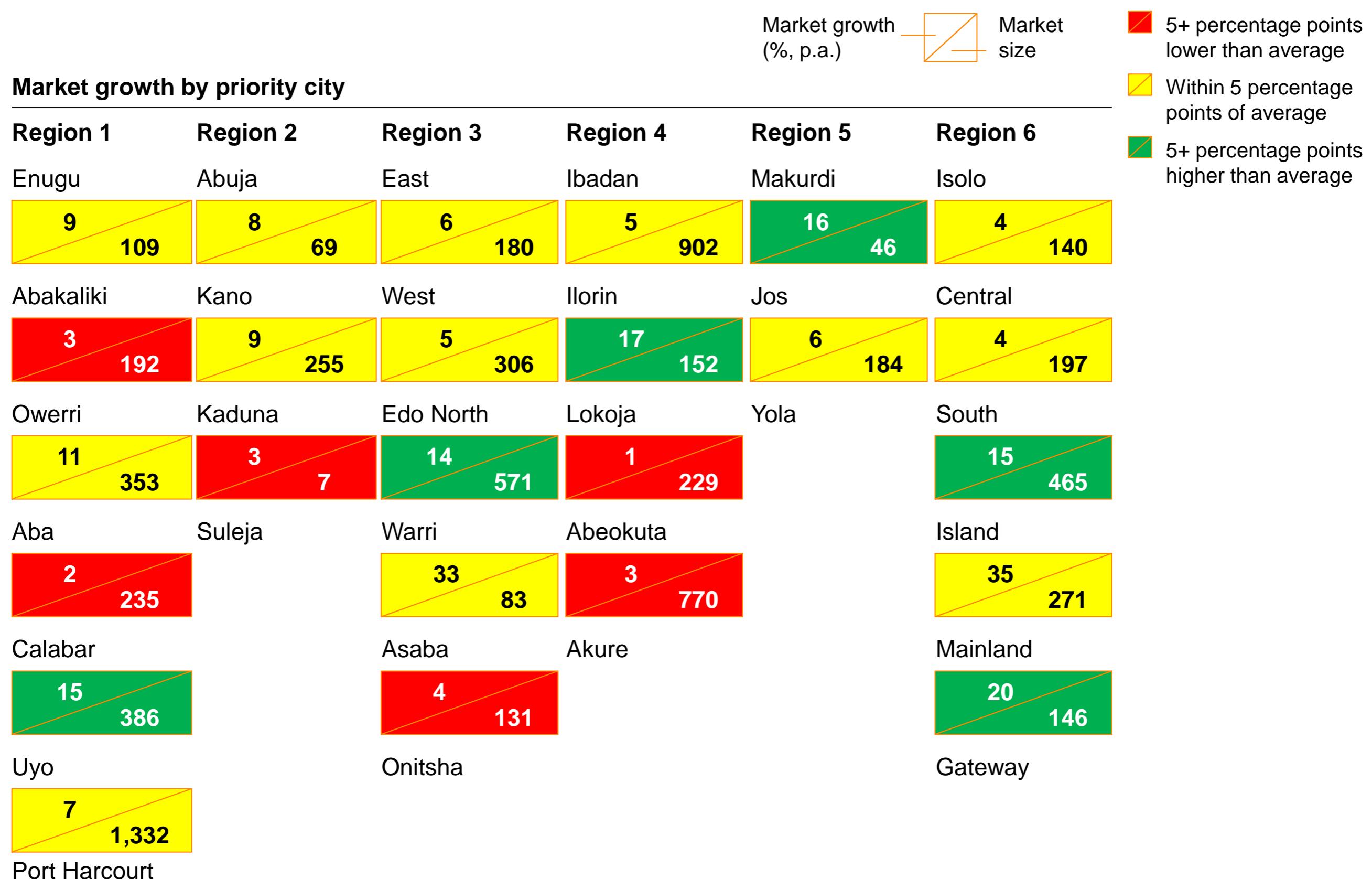


Granularity is your best friend



What are the fastest growing pockets to prioritize?

NIGERIA EXAMPLE



Which are the fastest growing channels?

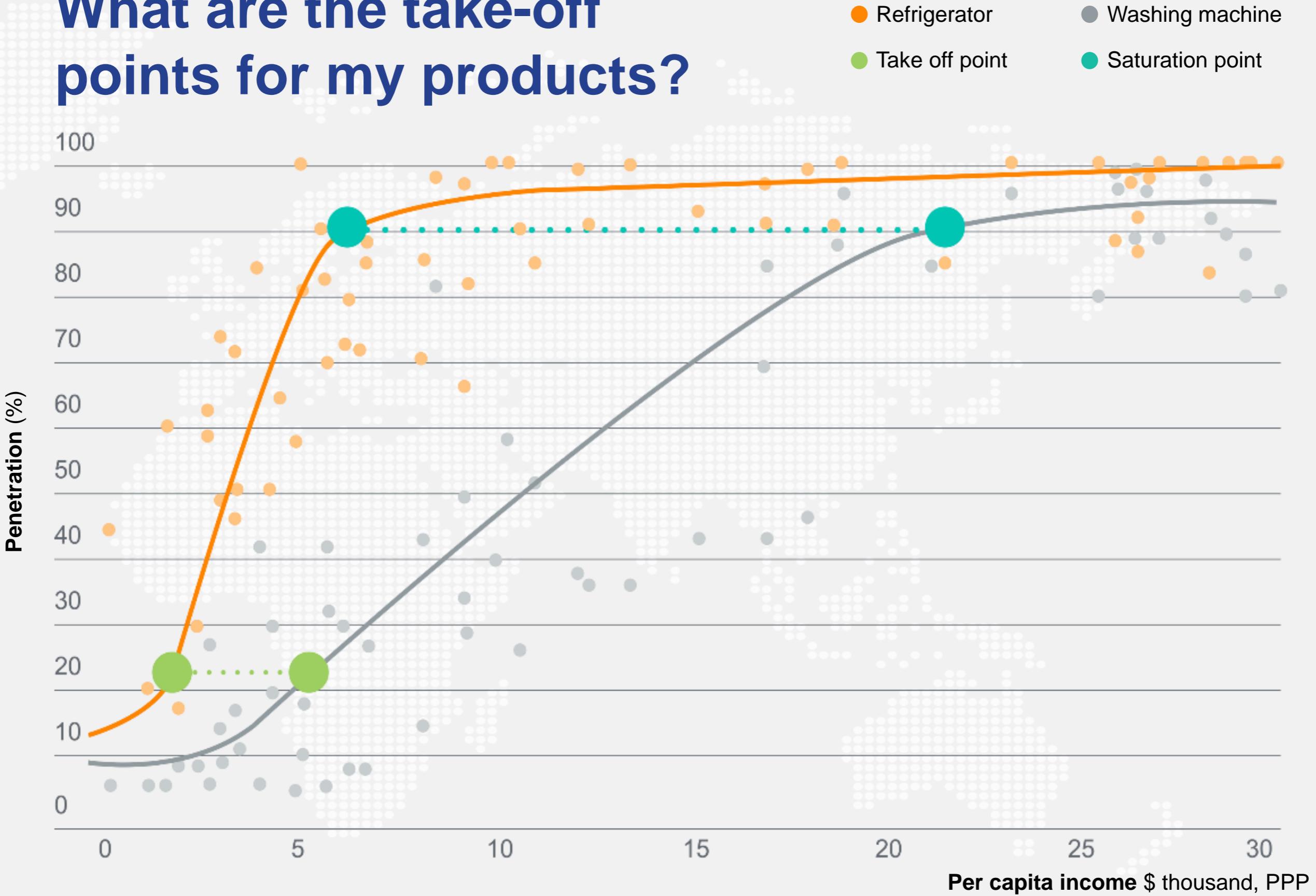
NIGERIA EXAMPLE

Outlets by volume grade and segment

Occasion based segment

| | Top class | Rhythm | Recreation center | QSR | Jollity | Home base | Total outlets | % of total outlets |
|---------------------|-----------|-----------|-------------------|------------|-------------|--------------|---------------|--------------------|
| Outlet volume grade | 18 <1% | 23 <1% | 13 <1% | 32 <1% | 553 1% | 459 1% | 1,135 | 2.7 |
| | 31 <1% | 38 <1% | 29 <1% | 42 <1% | 941 2% | 1,307 3% | 2,483 | 5.9 |
| C | 69 <1% | 48 <1% | 46 <1% | 119 <1% | 2,463 6% | 4,958 12% | 8,128 | 19.3 |
| D | 51 <1% | 40 <1% | 48 <1% | 184 <1% | 2,505 6% | 7,229 17% | 10,844 | 25.8 |
| E | 73 <1% | 14 <1% | 38 <1% | 169 <1% | 1,667 4% | 7,465 18% | 10,858 | 25.8 |
| F | 14 <1% | 15 <1% | 17 <1% | 102 <1% | 989 2% | 4,929 12% | 8,622 | 20.5 |
| Total outlets | 256 | 178 | 191 | 648 | 9,119 | 26,352 | | |
| % of total outlets | 0.6 | 0.4 | 0.5 | 1.5 | 21.7 | 62.6 | | |

What are the take-off points for my products?

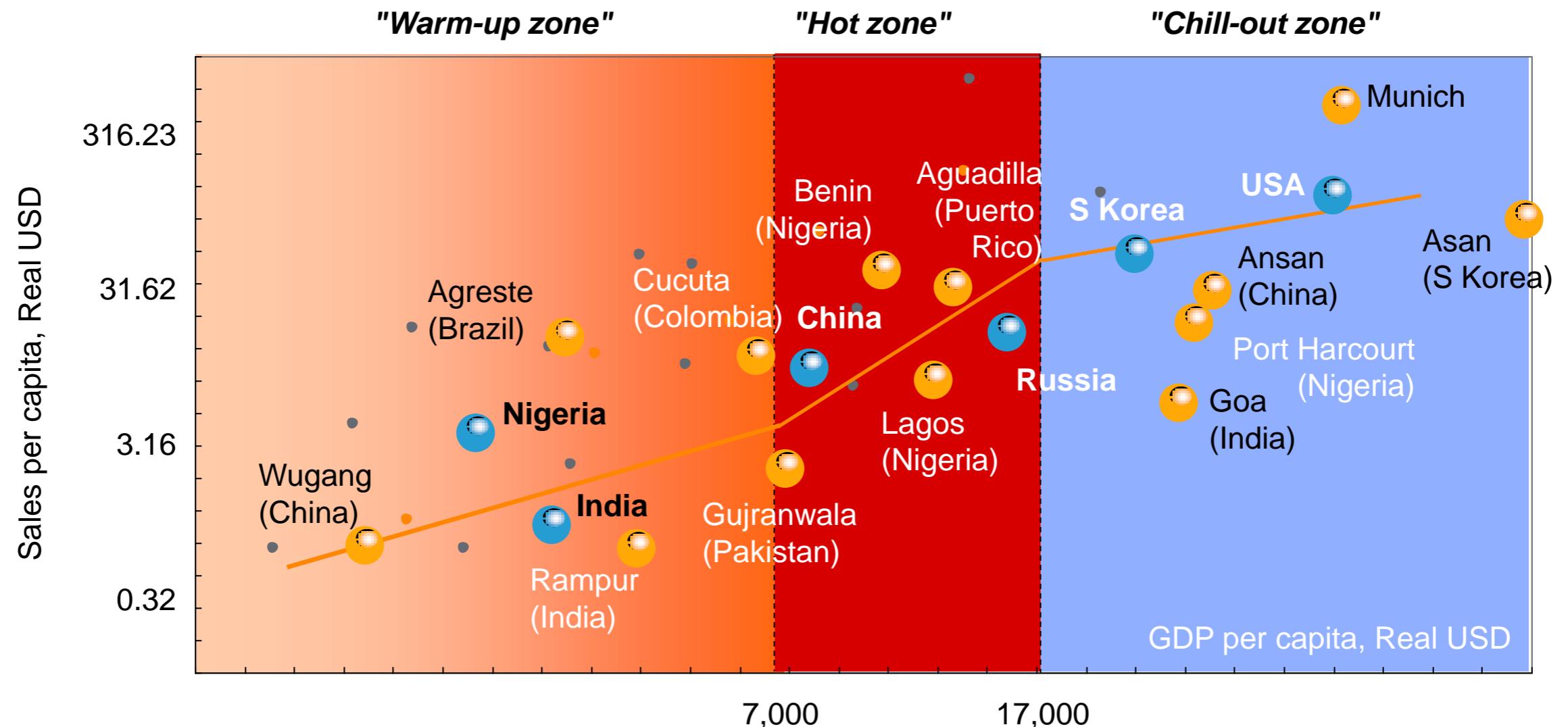


Are my focus countries and cities ready for my products?

Category penetration relative to GDP per capita across countries and cities

Sample category : Bottled Water

Countries
Cities



Taking city lens to prioritization helps identify hot spots in micro markets as well as highlight the cities that are already in chill-out zone

For example, a category penetration analysis for Carbonates shows the Lagos opportunity alone 2x that for Portugal

Growth for 2012-25, USD Million

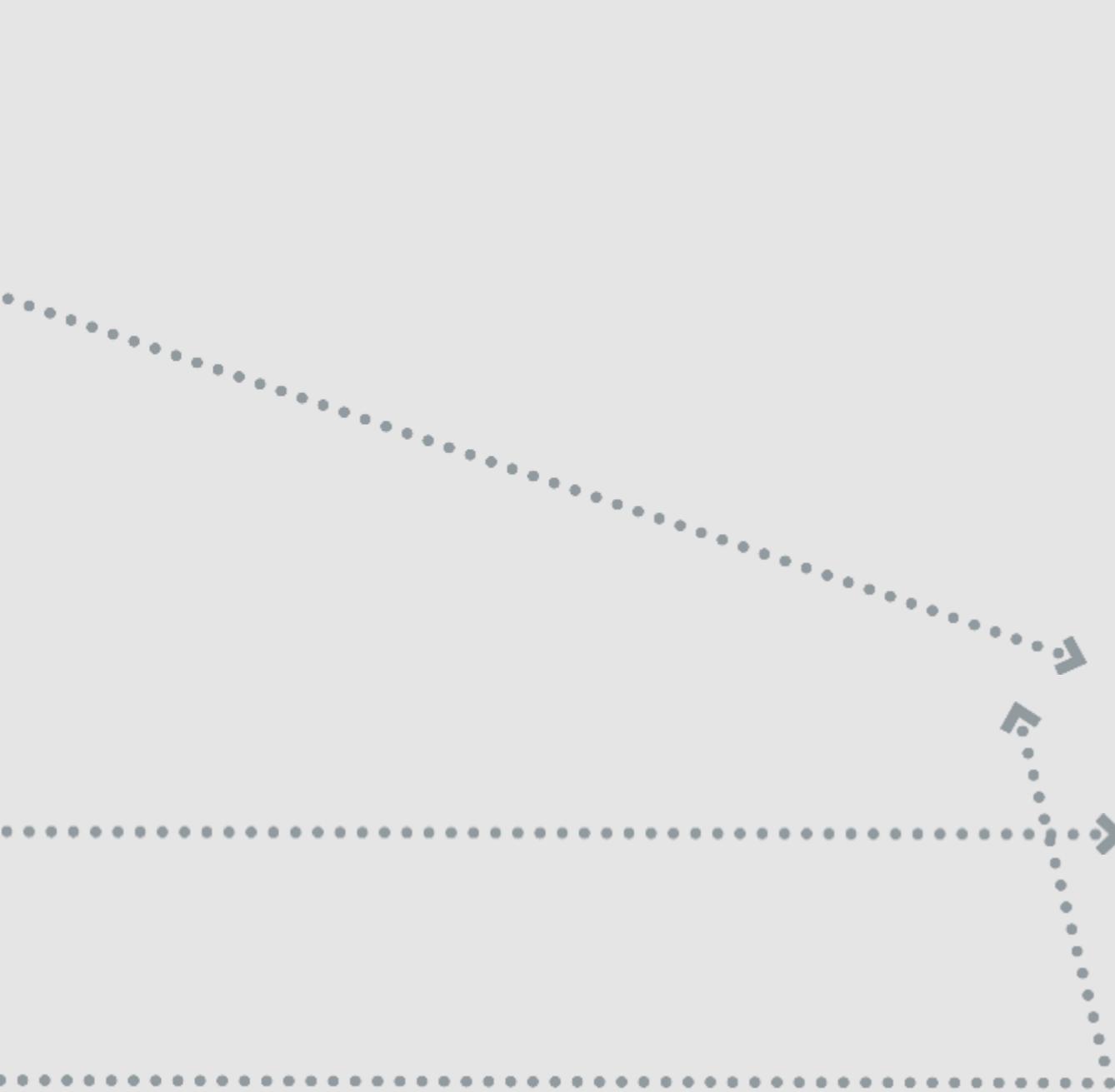
Carbonates





1 Where to play

2 How to win



**Don't go it
alone**

You'll need friends – a network of distributors who can run a professional business ...



... big wholesalers who can penetrate sparsely populated areas ...





... and even more wholesalers who drive open market coverage



**It's hand to
hand combat**



The right sales force – they're worth their weight in gold: find them, hire them ...



... many different types (e.g., head porters) ...



... give them the right tools...



... no need to get fancy ...

...choose the right outlets and motivate them to visit every one of them, frequently ...



... including the small high-volume ones





**Stalk your
staff**

Invest in the right tools...

Applications of the sales/ delivery rep mobile platform

- Customer details
- Promotions
- Credits
- Quality issues

- Sales analysis
- Reports
- To-do items

- Vehicle log
- Distribution check
- POSM placement

- Pre call plan
- Call summary
- Call photos

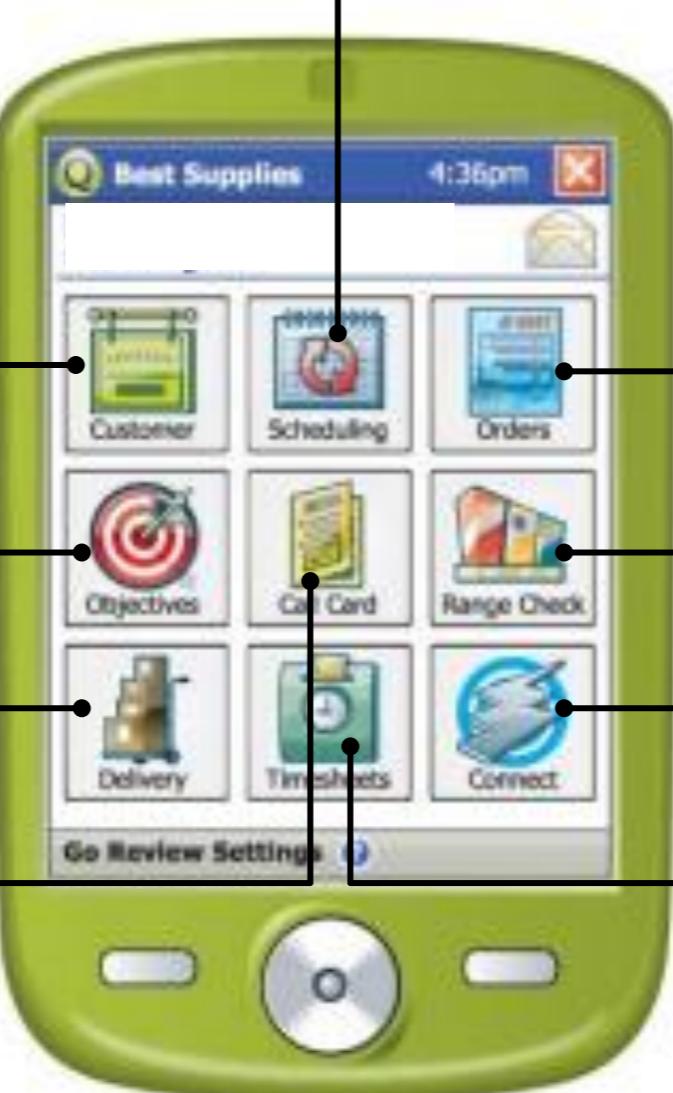
- Calendar/ journey planning
- Events

- POSM orders
- Product catalogue
- Orders

- Price check
- Competitor price check
- Promotion compliance

- Images/ planograms
- Staff leave request
- Message

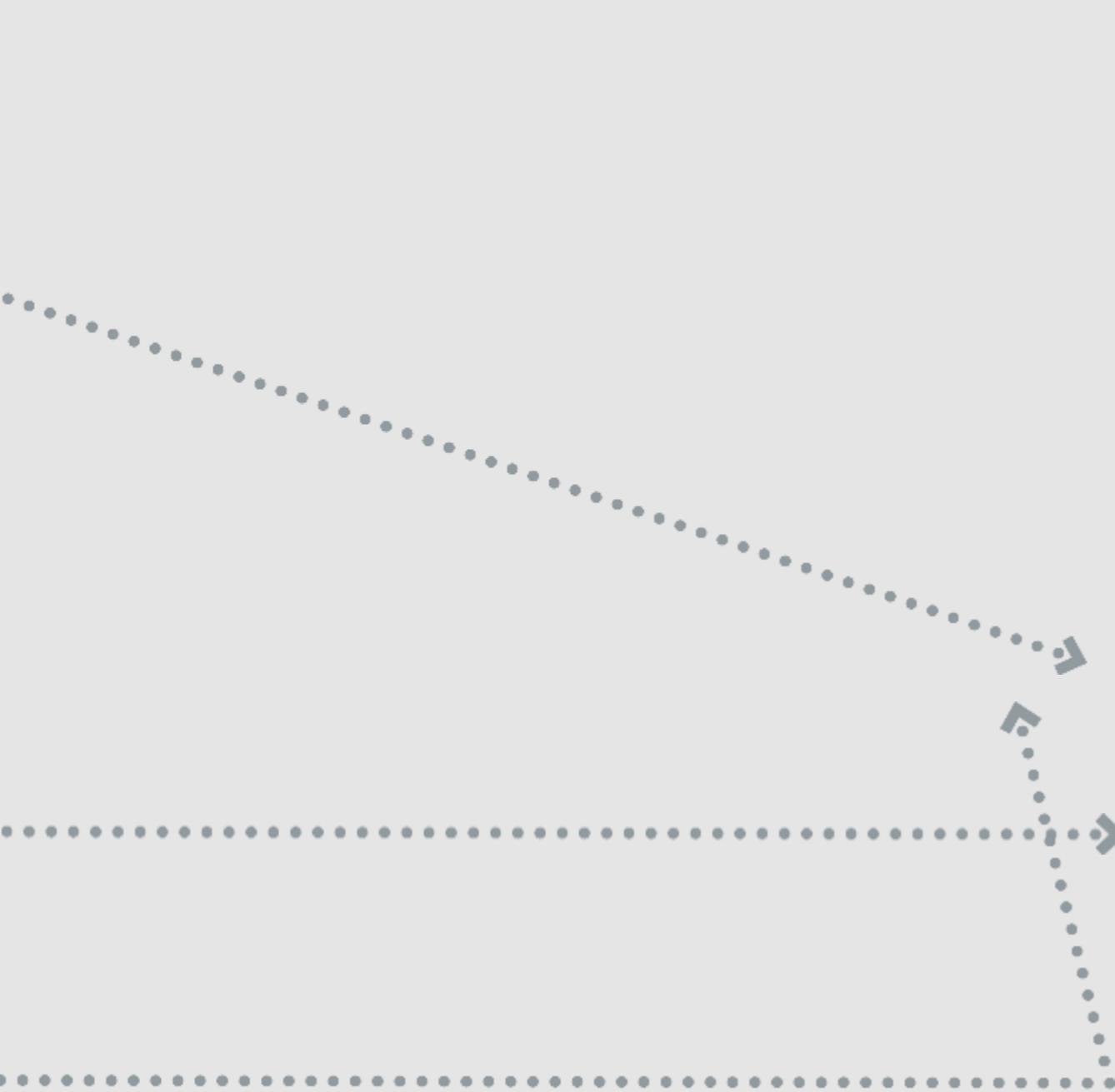
- Activity management



... to drive route compliance and control over orders

- Track route compliance and get live data
- Best-in-class companies also block sales outside designated areas
- Benefits from recent implementation include up to 85% route compliance; van sales reps give outlets time of arrival and increase chance and volume of sale





**Think long
term**

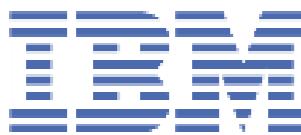
It might require engagement with many small stakeholders...



... but winning in Africa requires a long-term view



- Took over 10 years to build operations in Nigeria – built the distributors from scratch



- Present since 1920s
- Investing in creating its future market by building the capacity of African nations and institutions/companies

Be in it to win it – consumers reward brands they trust



RURAL DEVELOPMENT



Hope for cocoa farmers - Nestlé leads the way.

NESTLÉ IN SOCIETY



Creating Shared Value



Questions?

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