

Opportunities in the Traditional Trade of Emerging Markets

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Four billion people live on less than two dollars a day in the developing world. These people represent a huge and growing market for goods and services. For those of us who are familiar with the sophistication of modern retailing, it is easy to forget that the vast majority of people around the world still shop in far simpler stores. These simpler “stores” are collectively referred to as *the traditional trade*, to distinguish them from *the modern trade*, common in the more economically developed world. It is the traditional trade that plays a large role in the growing cities of India, Indonesia, Brazil and China - in fact, in cities, towns and villages all across the developing world.

The traditional trade ranges from well organized independent players, to small road-side shacks and single market stalls. How can brand suppliers best understand this growing retail opportunity? What are the key challenges to consider in order to be an effective supplier to this trade? This issue of the *VIEWES* will shine a light on some of these challenges and opportunities.

Challenge #1: The store is not four walls . . .

Supplying the traditional trade forces a rethink on what constitutes a store – market stalls, roadside shacks and even itinerant sellers are all relevant, but do not fit the classic selling model of the modern trade. In some locations, at-home stores and even back-of-bike operations are common. Supplying these markets requires different approaches in both marketing and distribution. One key focus can be on approaching the community and isolating local leaders or opinion makers, who may be able to provide understanding to the marketer; and drive local acceptance by the market.

From a manufacturer’s perspective, this also means considering things like how a lack of continuous electricity may affect the ability to actually sell, for example, cool beverages or treats. Having a link with the local communities through their leaders may help with finding unusual but highly effective solutions. These solutions may then be deployed across markets and regions.



Some may be surprised that internet retailing plays a growing role in the traditional trade. In many markets, the only means to use the internet is via mobile phone and smart phones. These are already becoming common day-to-day tools in even remote areas of major economies such as India and China. The question then becomes, when the internet is seen on a 2” by 2” screen, how can companies optimize the experience to deliver a clear and effective online sales proposition? This is both a major challenge and an opportunity for the years ahead.

Challenge #2: Shop keepers are gate keepers

In contrast to modern trade, where stores are designed to be self-service and shoppers are more autonomous, in traditional trade stores the emphasis is on the shop keeper, for several reasons:

- For security reasons, trade may be conducted via gated doors.
- For practical reasons, not all items may be on display.
- For credit reasons, the shop keeper offers credit within a community.
- For guidance reasons, advice and reassurance for selecting products.



These last two reasons make the shop keeper an integral and personal link between the community and the products and services they need.

There are several ways for a manufacturer to leverage the realities of the traditional trade: Firstly, the distribution network plays a crucial role. Using the regular delivery team to “partner” with the shop keepers can be an excellent strategy. Secondly, credit terms and sales aids may provide very tangible benefits and support a brand campaign.

Thirdly, in smaller shops, the owner will in many cases buy directly from a larger supermarket or a cash & carry, far away, and then re-sell the goods

locally. So understanding these needs and offering suitably packaged products could also be, indirectly, a great way to drive traditional trade sale. This last point means that re-thinking the packaging could very well generate substantial gains for major manufacturers, with packages which can double-up as display stands; or offer advice for selling and merchandising items.

Challenge #3: Merchandising has a different meaning for the traditional trade – focus on channel-relevant execution

Merchandising and Point-of-Sale Materials (POSM) play a radically different role in the traditional trade – many stores have limited shelf organization and POSM is not replaced regularly and might in fact overlap across competing brands. Manufacturers tend to have very few customized solutions – some will provide storefront decoration services (awnings or walls painted the colors of a brand, especially relevant for beverages and cigarettes); others will focus on very similar materials provided to the modern trade, knowing these are likely to be discarded or incorrectly implemented. Yet there is significant potential to have unique and relevant POSM or merchandising solutions – ranging from unique storage to distribution or refill options, to facilitate the delivery of products in the traditional trade.



Challenge #4: Basic considerations are Prime considerations

For low income consumers just as for everybody else, basic needs come first – although for them, satisfying these



basic needs is very much a critical survival requirement. Ensuring that goods bought are safe, un-contaminated, storable and transportable are key issues. In this context, manufacturers have a tremendous opportunity to help improve daily lives whilst also building their brand, by providing packaging and distribution solutions which support these basic needs. Furthermore, supporting these basic considerations may provide forward-thinking companies with a tremendous opportunity to play a more active role in communities – by championing these needs (or failing to do so) a brand owner will seal its future. For example, understanding usage occasions combined to storage requirements has provided leading brand manufacturers with the opportunity to introduce innovative single-usage packs, providing both an affordable solution and a true brand experience to

low-income consumers in the Philippines or China.

Challenge #5: Brands are important... but are they real?

Brands are both a reassurance and an aspiration and as such play a critical role in traditional trade – but this also presents some serious challenges. Firstly, consumers are savvy, no matter what they can afford – so brand equity is very much a precious commodity when dealing in the traditional trade, as shoppers seek the reassurance and guarantees a well-known brand can provide. In some markets, counterfeits abound, and ensuring that what you buy is genuine is a very real consideration. Secondly, whilst not all brands are necessarily represented in the traditional trade, it should not prevent manufacturers from seeking to engage consumers – the aspirational nature of many brands may help drive future consumption but can also have an immediate role in communities. Finally, the risk for a brand is to have, either via counterfeiting or via an unscrupulous local associate, its image tarnished – taking extra care of how the brand is used (POSM, sponsorship, actual products on shelves) should be a major priority in developing markets – the global future of your brand may just hinge on this.



Overall, marketing to traditional trade shoppers requires not just local knowledge but a true mindset change for international brands. competing against well-established local players, faced with an incredibly fragmented distribution network, you need to re-engineer your entire marketing strategy to match the needs and complexities of these retail channels. The investment is significant but the pay-off may well be worth it – establishing top-of-mind in the fastest growing and *most populated* economies in the world might well be tomorrow's pay-day.

Note: Arnaud Frade is based in Singapore and covers 50 markets across Asia-Pacific, Latin America and the Middle East & Africa as head of TNS' Retail & Shopper practice. Amongst these are some of the world's most populous countries, some of the fastest growing economies and true frontier markets. He has previously worked in Europe for a leading retail tracking specialist firm and a major financial services company. His expertise in understanding independent retailers complements well my own focus of supporting global retailers. Arnaud can be reached at arnaud.frade@tns-global.com

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