



McKinsey&Company

Perspective on the Africa Route-to-Market Challenge

October 2014



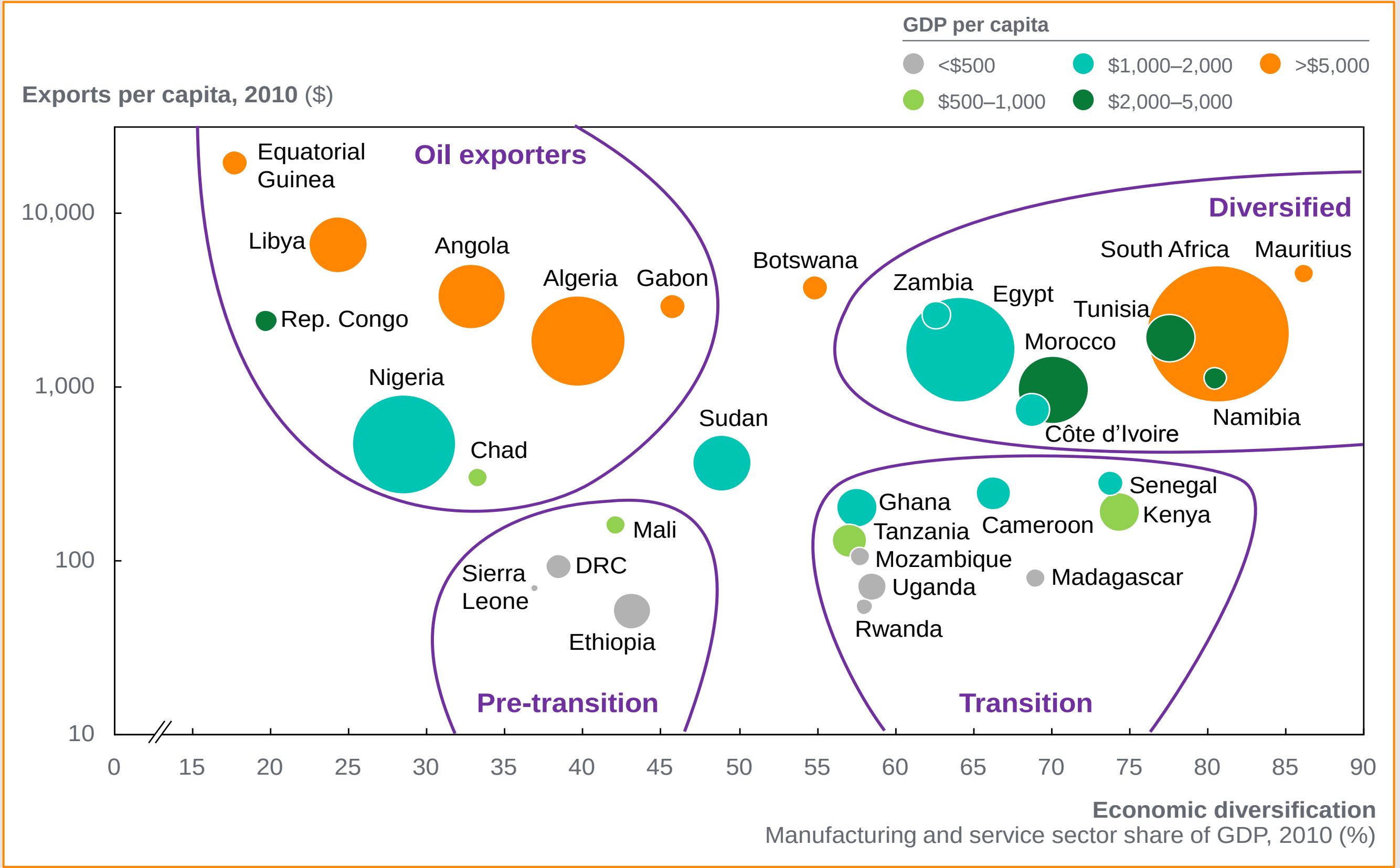
1 Where to play

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:

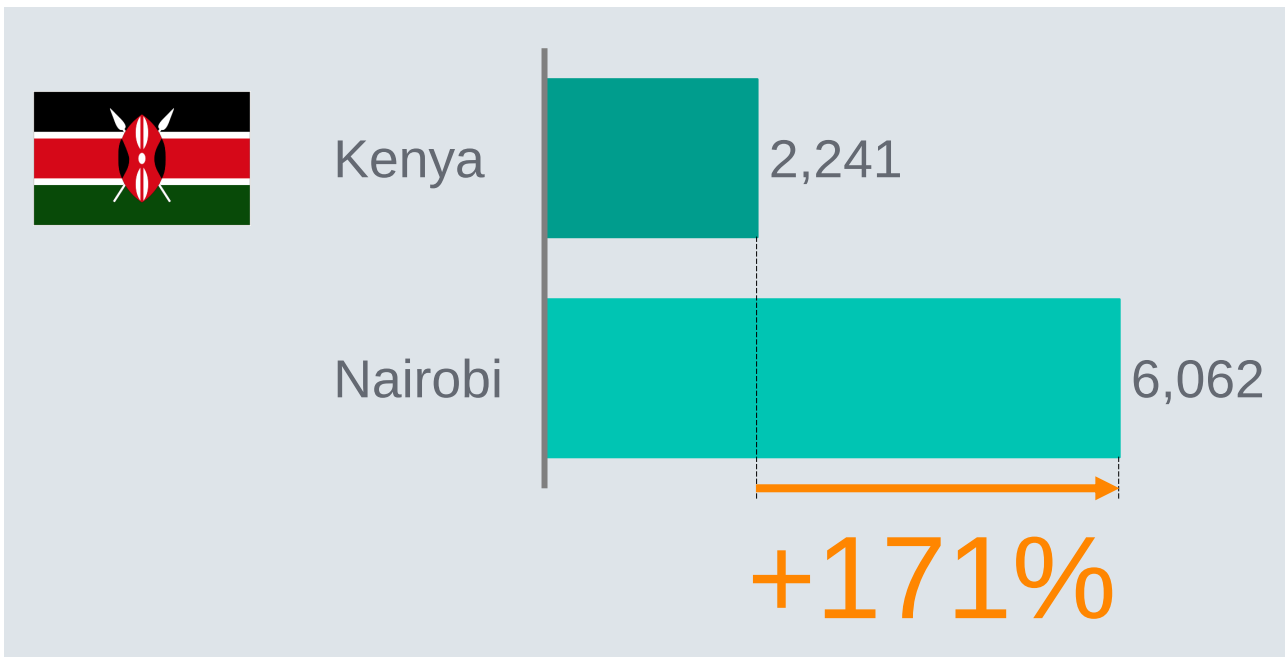
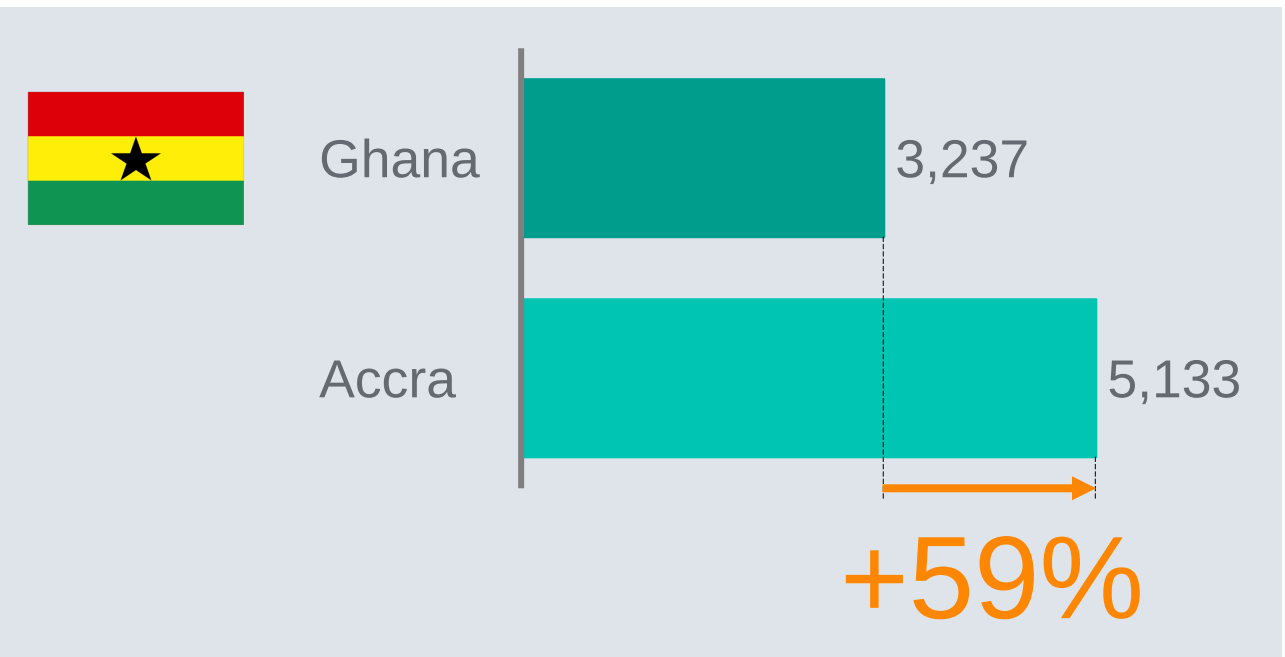
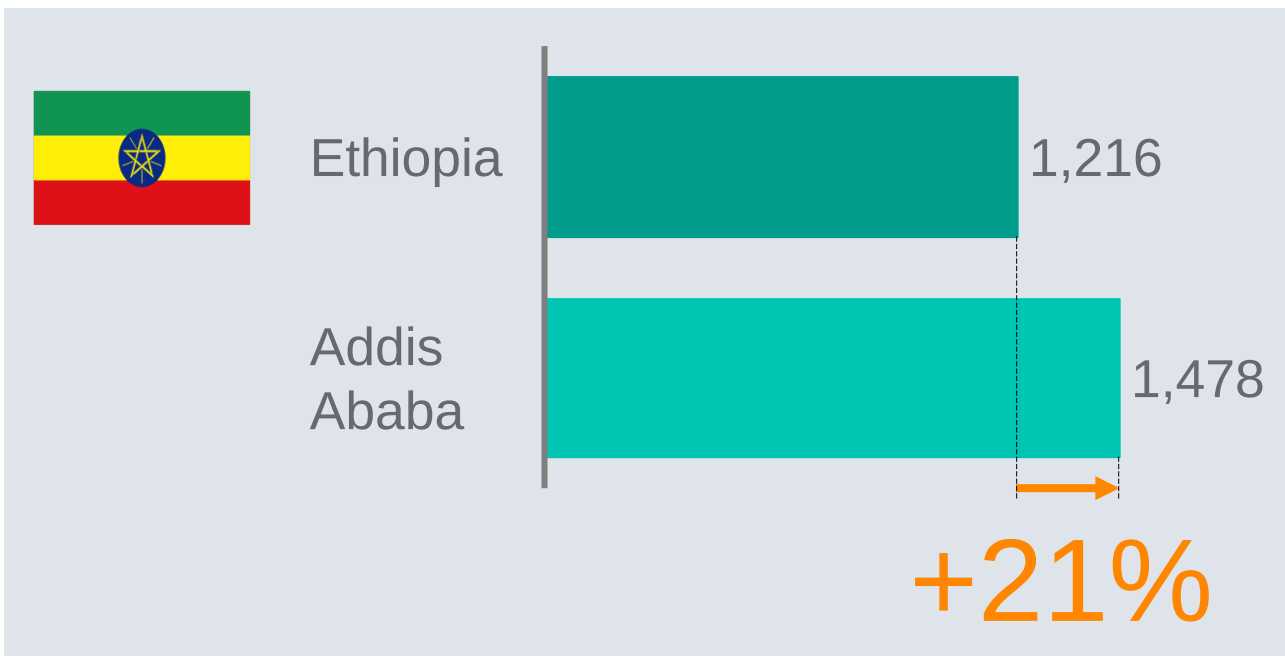
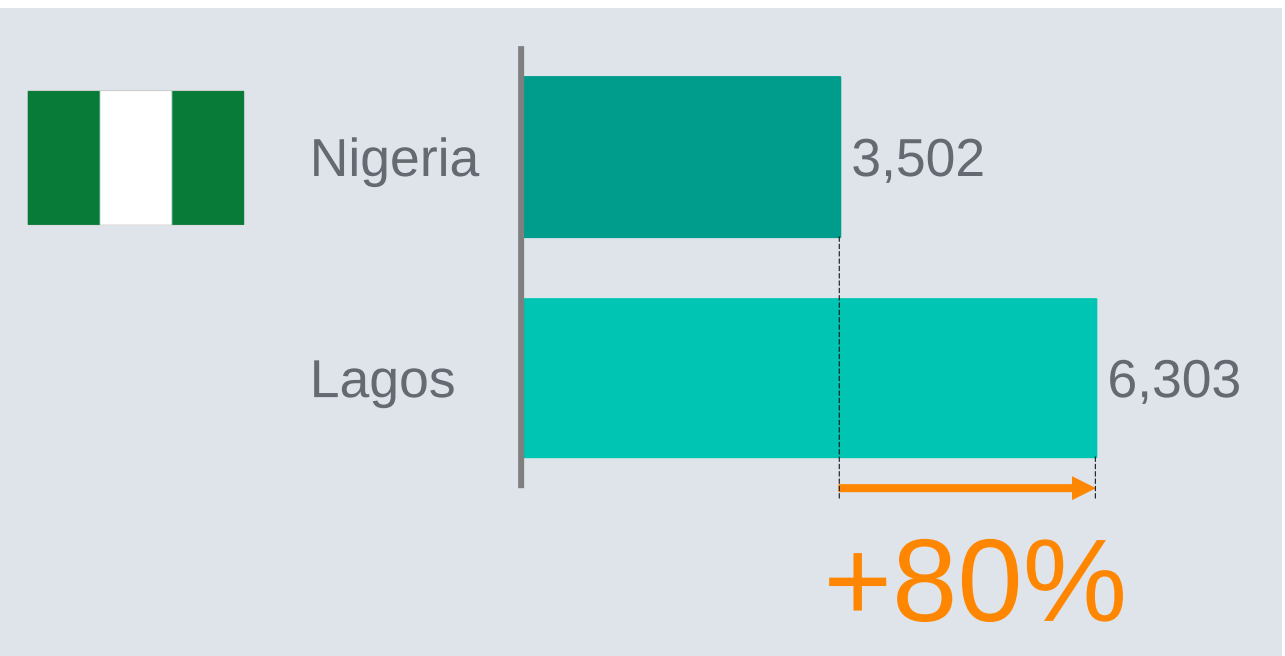
50 cities expected to see ~\$450bn additional revenues by 2025

City (Country)	City GDP 2025 breakdown (\$Bn)	Population growth (2012-25),%	City (Country)	City GDP 2025 breakdown (\$Bn)	Population growth (2012-25),%
Lagos (NGA)		3.8%	Ilobu (NGA)		3.9%
Port Harcourt (NGA)		4.2%	Ijebu Ode (NGA)		3.9%
Warri (NGA)		3.9%	Maiduguri (NGA)		4.0%
Ibadan (NGA)		3.8%	Oshogbo (NGA)		3.9%
Accra (GHA)		3.7%	Ouagadougou (BFA)		6.3%
Benin City (NGA)		4.0%	Conakry (GIN)		4.2%
Abuja (NGA)		4.7%	Ilorin (NGA)		4.0%
Kano (NGA)		3.8%	Abeokuta (NGA)		3.9%
Kumasi (GHA)		3.7%	Ondo (NGA)		3.9%
Onitsha (NGA)		4.4%	Ndjamena (TCD)		4.0%
Abidjan (CIV)		3.5%	Bauchi (NGA)		3.9%
Aba (NGA)		4.1%	Akure (NGA)		3.9%
Uyo (NGA)		3.9%	Ado (NGA)		3.9%
Owerri (NGA)		3.9%	Yamoussoukro (CIV)		5.4%
Kaduna (NGA)		3.9%	Sokoto (NGA)		3.9%
Yaounde (CMR)		3.7%	Freetown (SLE)		3.6%
Libreville (GAB)		2.1%	Oyo (NGA)		3.9%
Jos (NGA)		4.0%	Nouakchott (MRT)		3.5%
Douala (CMR)		3.6%	Niamey (NER)		6.0%
Ogbomosho (NGA)		4.0%	Calabar (NGA)		3.9%
Dakar (SEN)		3.7%	Lome (TGO)		3.6%
Zaria (NGA)		3.9%	Gboko (NGA)		3.9%
Okene (NGA)		3.9%	Minna (NGA)		3.9%
Ife (NGA)		3.9%	Cotonou (BEN)		3.7%
Enugu (NGA)		4.2%	Bamako (MLI)		4.3%

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.



Baby food

1 Lagos

2 Dar es Salaam

3 Dhaka

4 Ouagadougou

5 Khartoum

6 Ghaziabad

7 Sanaa

8 Nairobi

9 Luanda

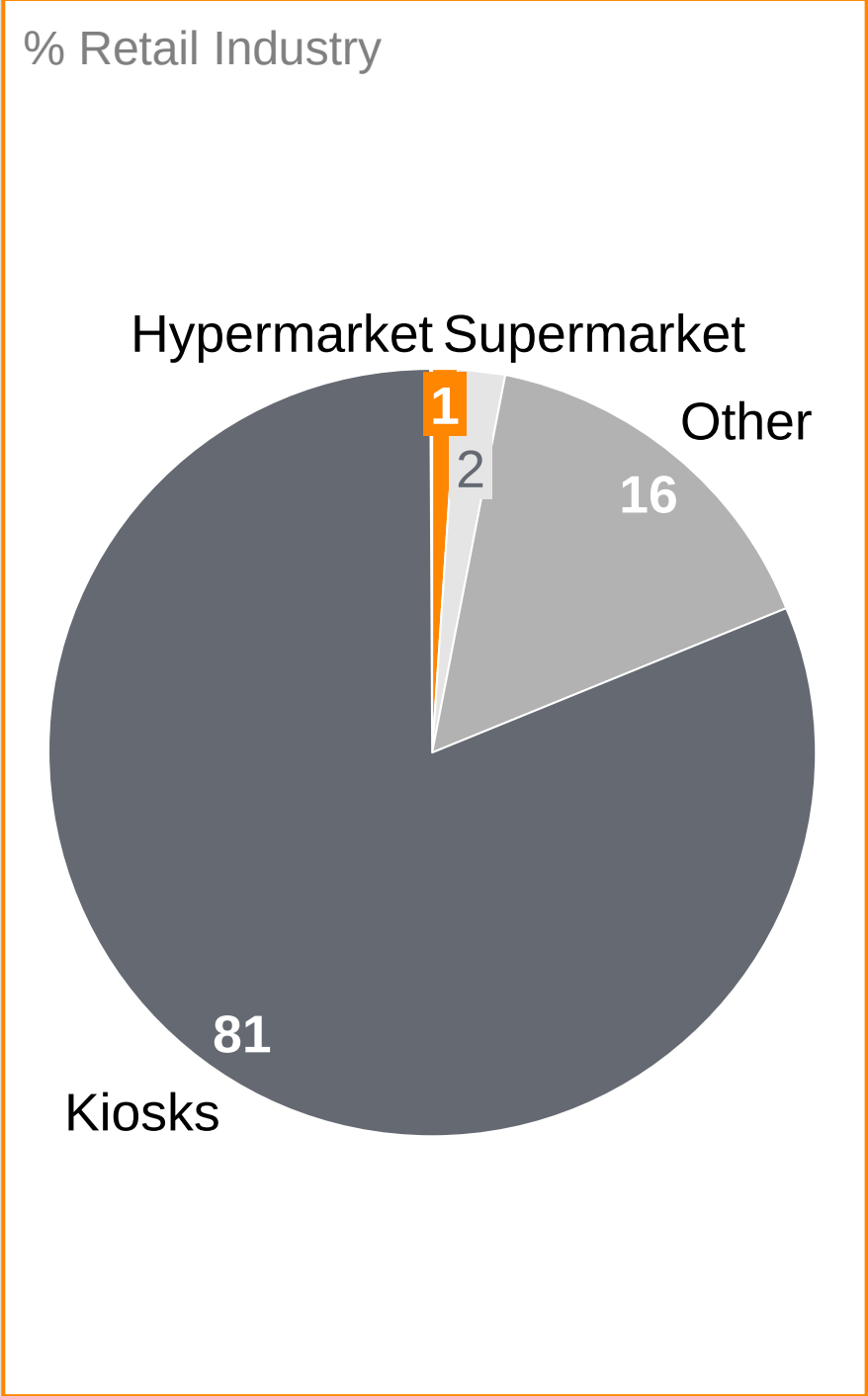
10 Baghdad



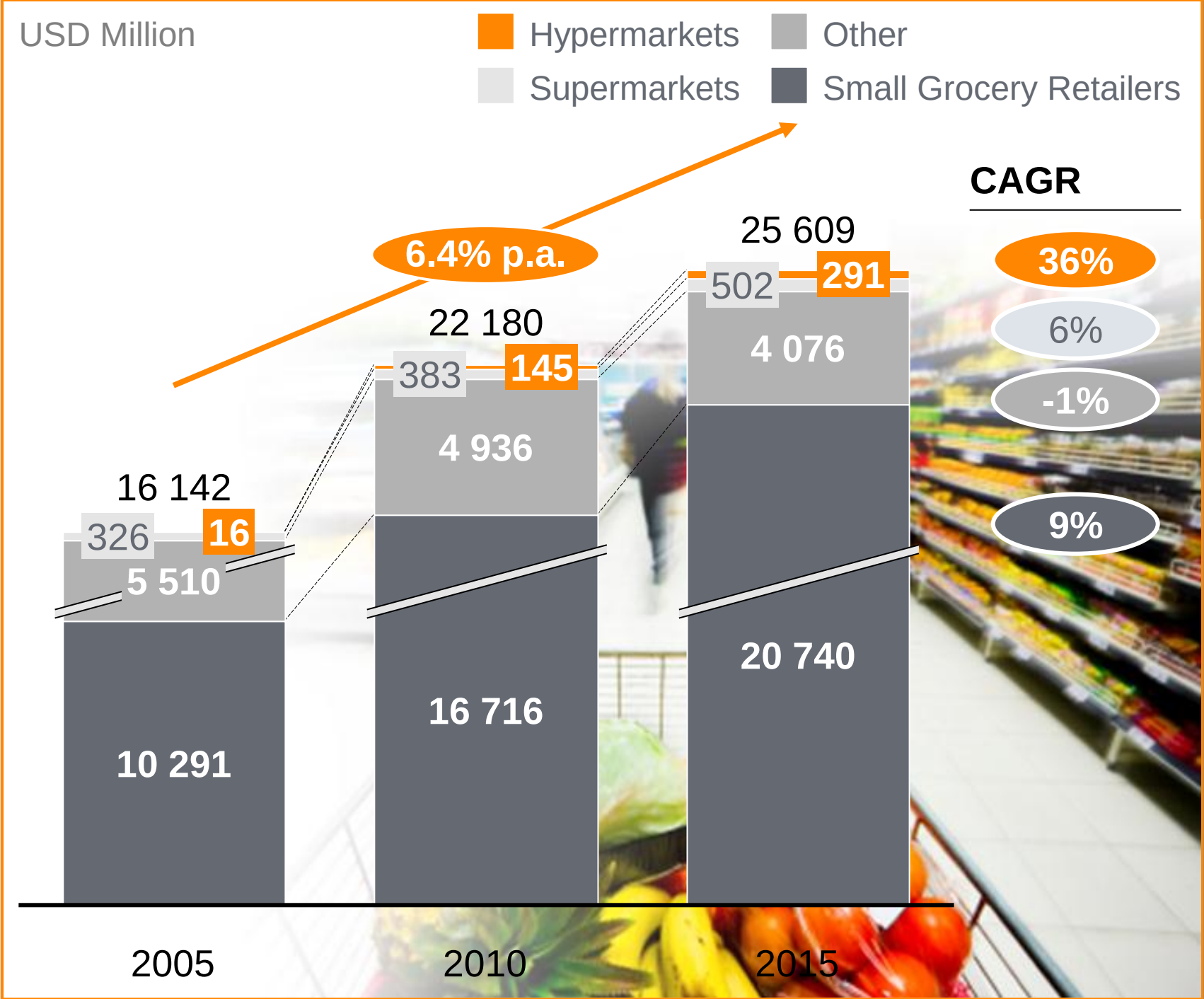
Identify the right channels:

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

Small kiosks dominate the retail industry



Hypermarkets are rapidly increasing in popularity



Granularity is your best friend



What are the fastest growing pockets to prioritize?

NIGERIA EXAMPLE

Market growth
(%, p.a.)



Market
size

- 5+ percentage points lower than average
- Within 5 percentage points of average
- 5+ percentage points higher than average

Market growth by priority city

Region 1	Region 2	Region 3	Region 4	Region 5	Region 6
Enugu	Abuja	East	Ibadan	Makurdi	Isolo
9 109	8 69	6 180	5 902	16 46	4 140
Abakaliki	Kano	West	Ilorin	Jos	Central
3 192	9 255	5 306	17 152	6 184	4 197
Owerri	Kaduna	Edo North	Lokoja	Yola	South
11 353	3 7	14 571	1 229		15 465
Aba	Suleja	Warri	Abeokuta		Island
2 235		33 83	3 770		35 271
Calabar		Asaba	Akure		Mainland
15 386		4 131			20 146
Uyo		Onitsha			Gateway
7 1,332					
Port Harcourt					

Which are the fastest growing channels?

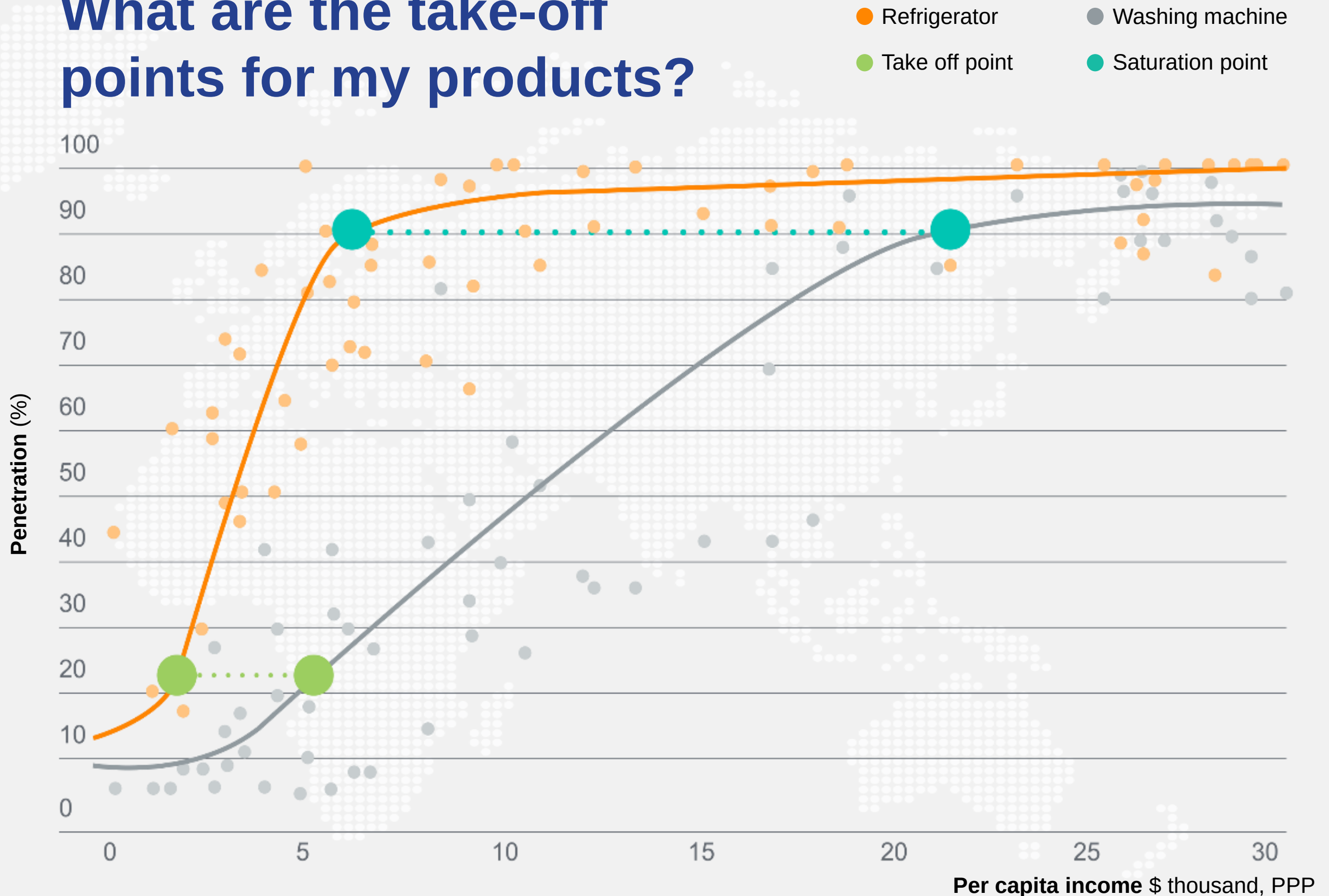
NIGERIA EXAMPLE

Outlets by volume grade and segment

Occasion based segment

		Occasion based segment						Total outlets	% of total outlets
		Top class	Rhythm	Recreation center	QSR	Jollity	Home base		
Outlet volume grade	A	18 <1%	23 <1%	13 <1%	32 <1%	553 1%	459 1%	1,135	2.7
	B	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?

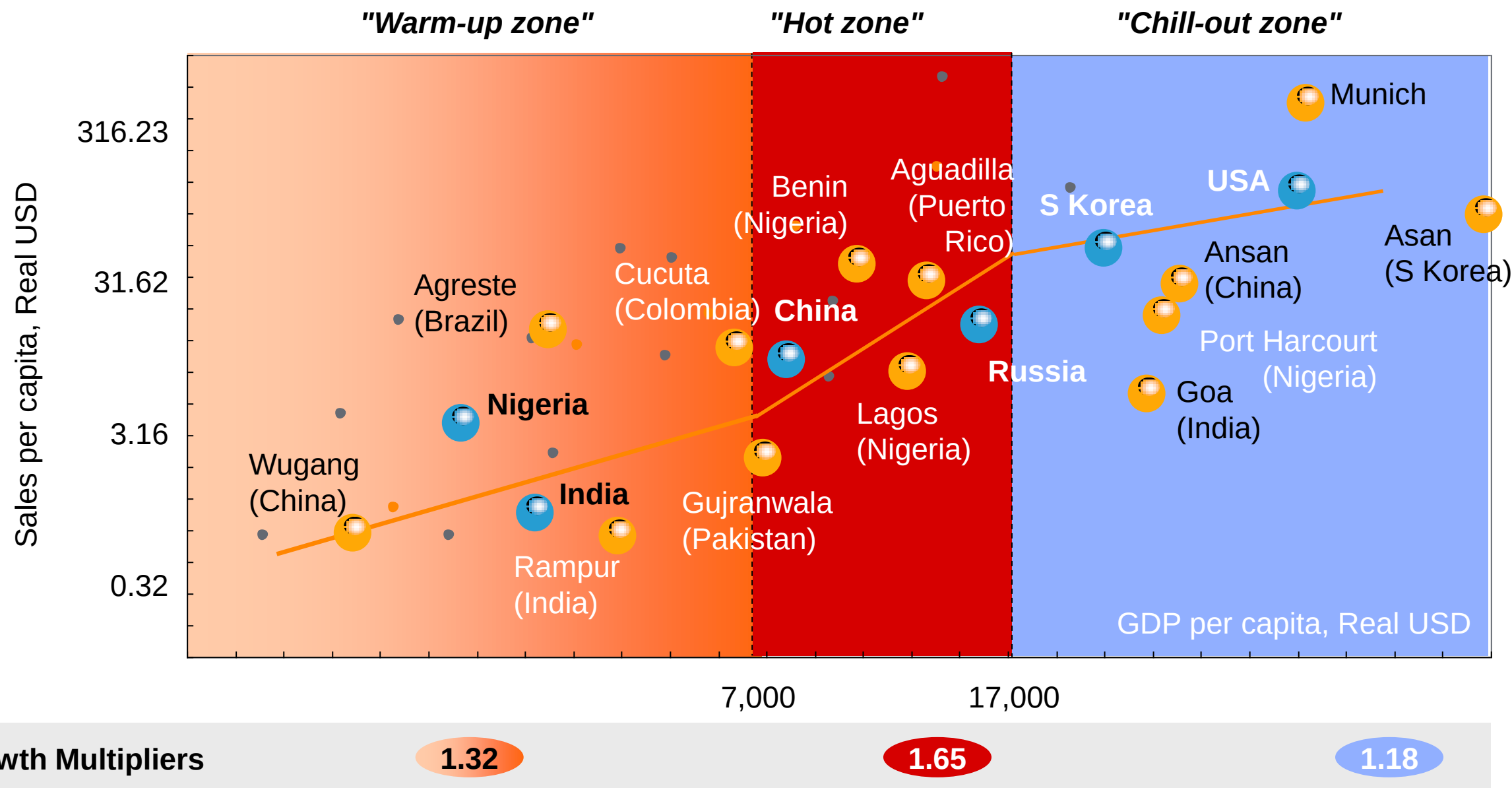


Are my focus countries and cities ready for my products?

Category penetration relative to GDP per capita across countries and cities

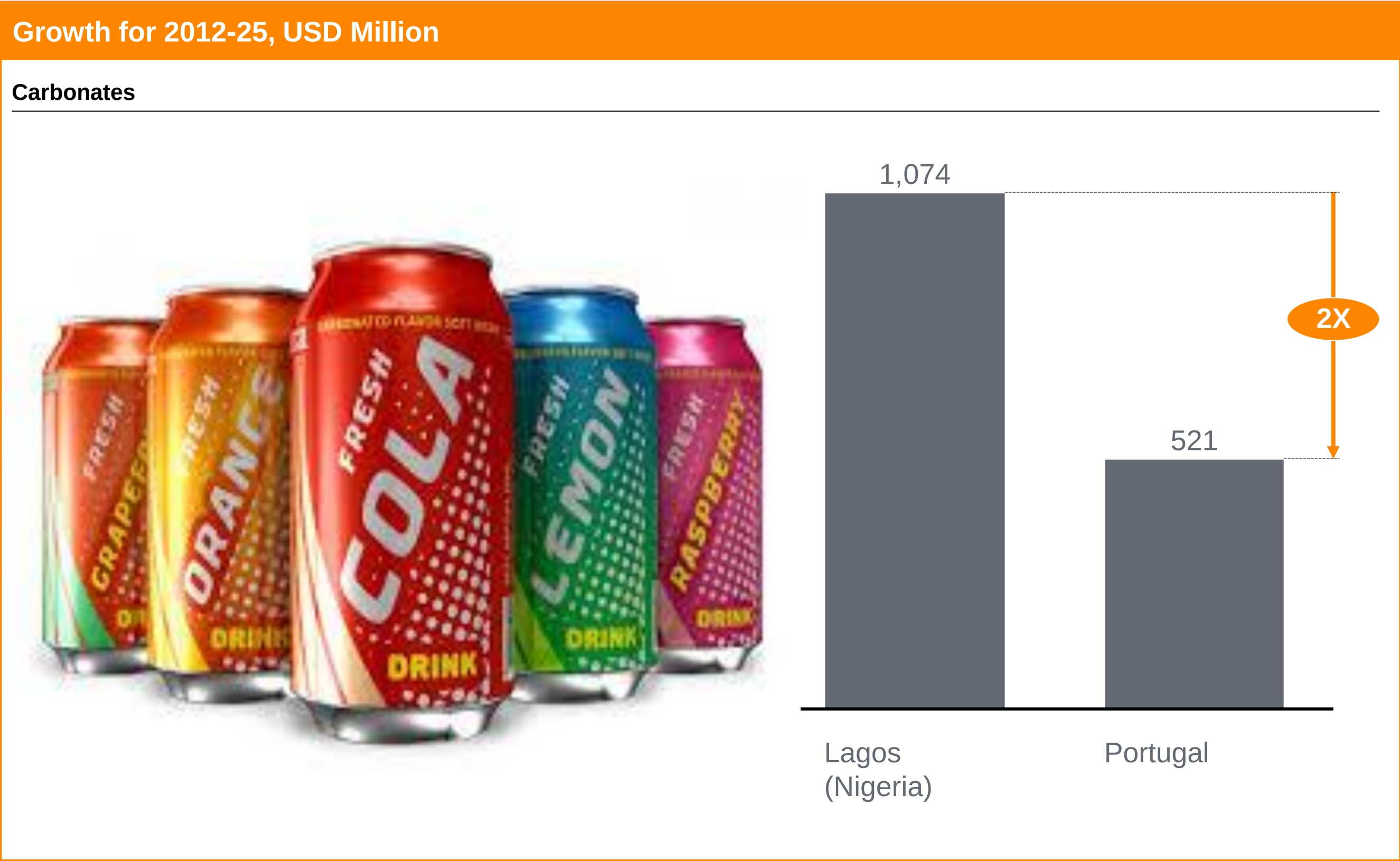
Sample category : Bottled Water

- 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

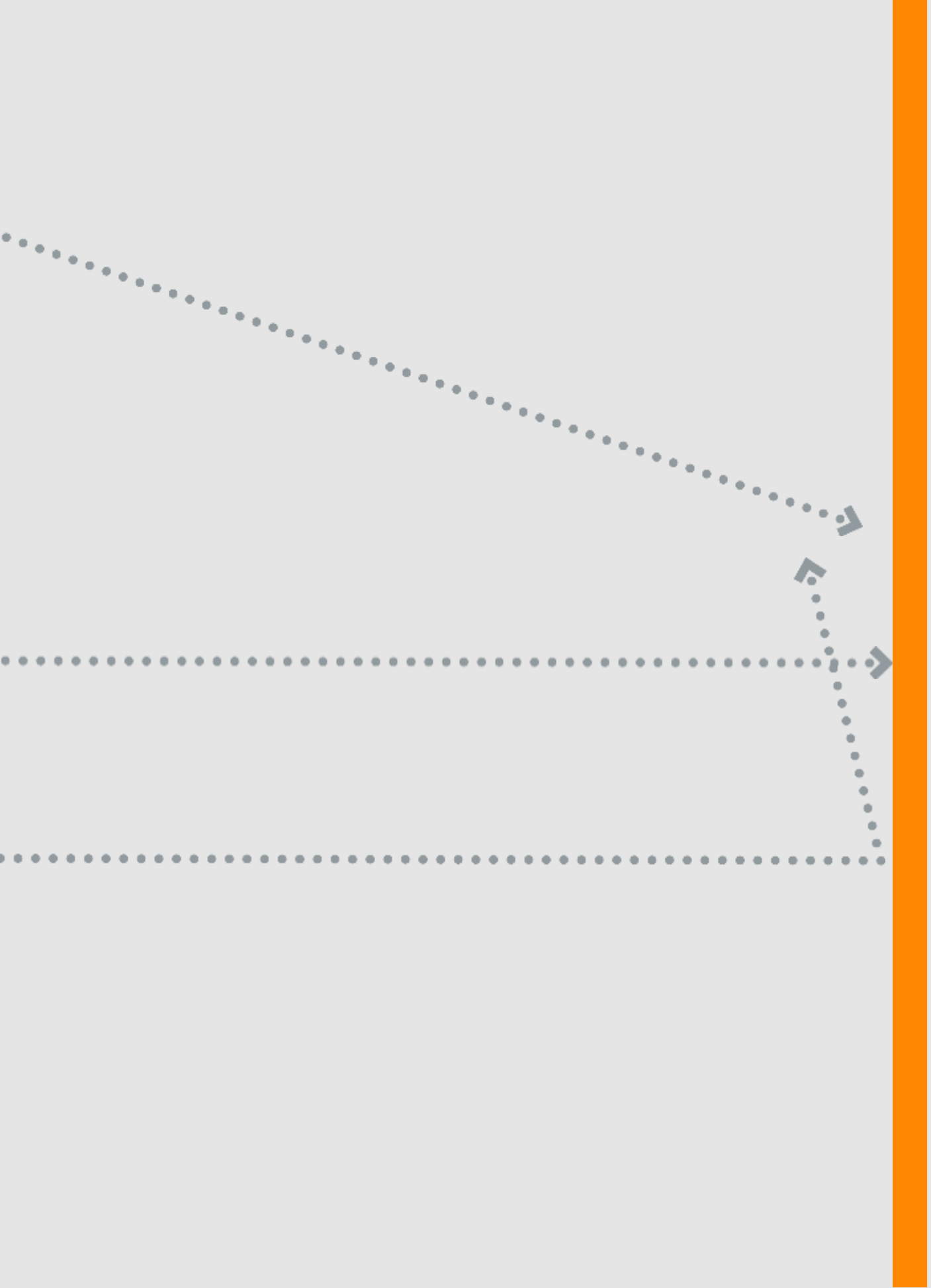
For example, a category penetration analysis for Carbonates shows the Lagos opportunity alone 2x that for Portugal





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...



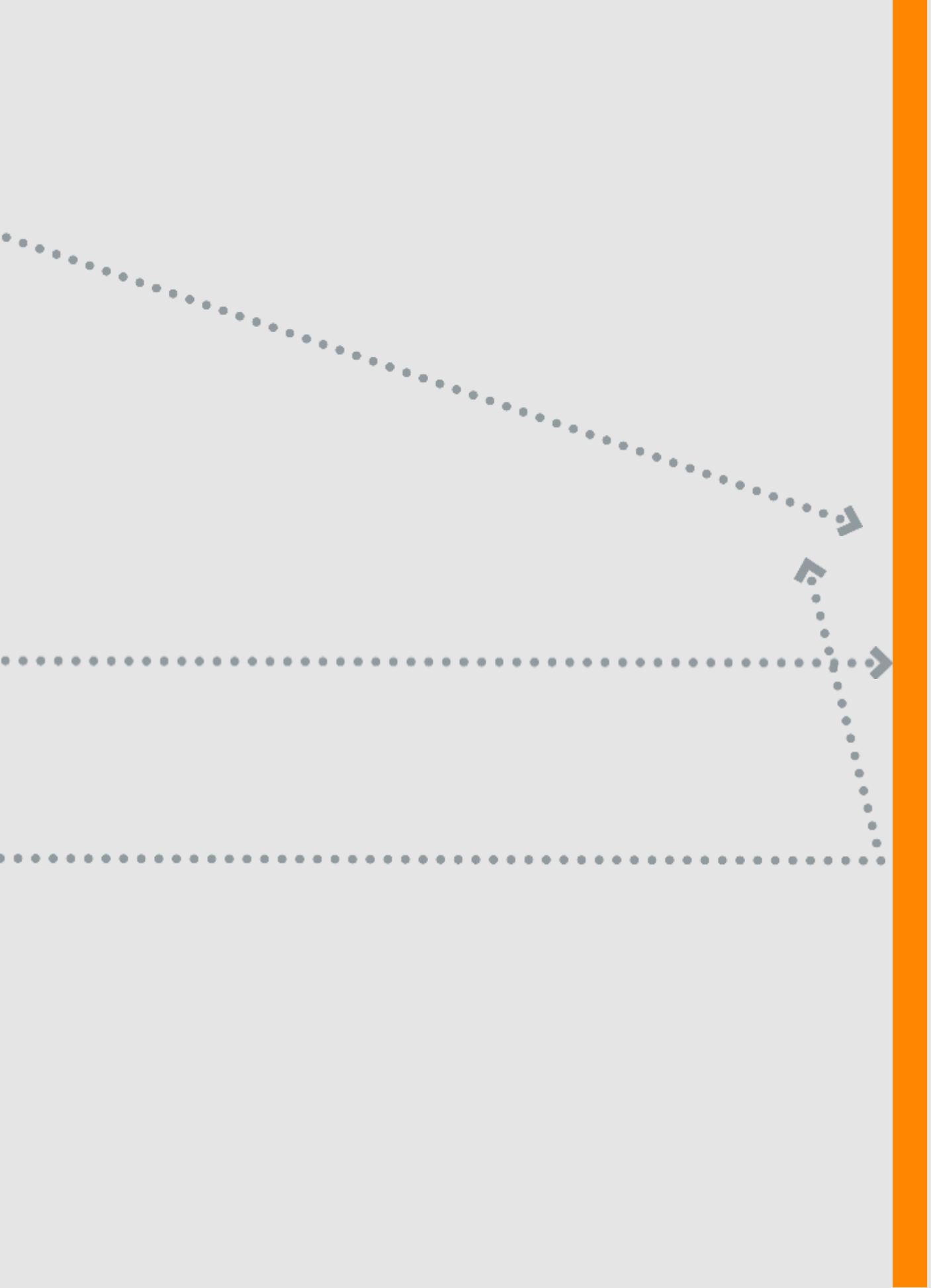
... no need to get fancy ...

...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



Here for good

RURAL DEVELOPMENT



Hope for cocoa farmers - Nestlé leads the way.

NESTLÉ IN SOCIETY



Creating Shared Value



Questions?



McKinsey&Company

Perspective on the Africa Route-to-Market Challenge

October 2014