

THE PATH TO WHOLESOME GROWTH

EXTENDING REACH BY IDENTIFYING THE RIGHT WHOLESale MARKETS

- India has a large and complex retail trade environment, with an estimated 10 million FMCG retail stores across formats.
- For most companies, indirect distribution through wholesale re-distribution accounts for 40%-60% of their sales. Wholesale feeder markets play a critical role in fulfilling demand where direct distribution does not reach.
- A mere 758 out of approximately 6,000 towns are wholesale feeder markets that account for 70% of all wholesale sales in India, demonstrating the potential that key wholesale markets hold to drive reach and growth.

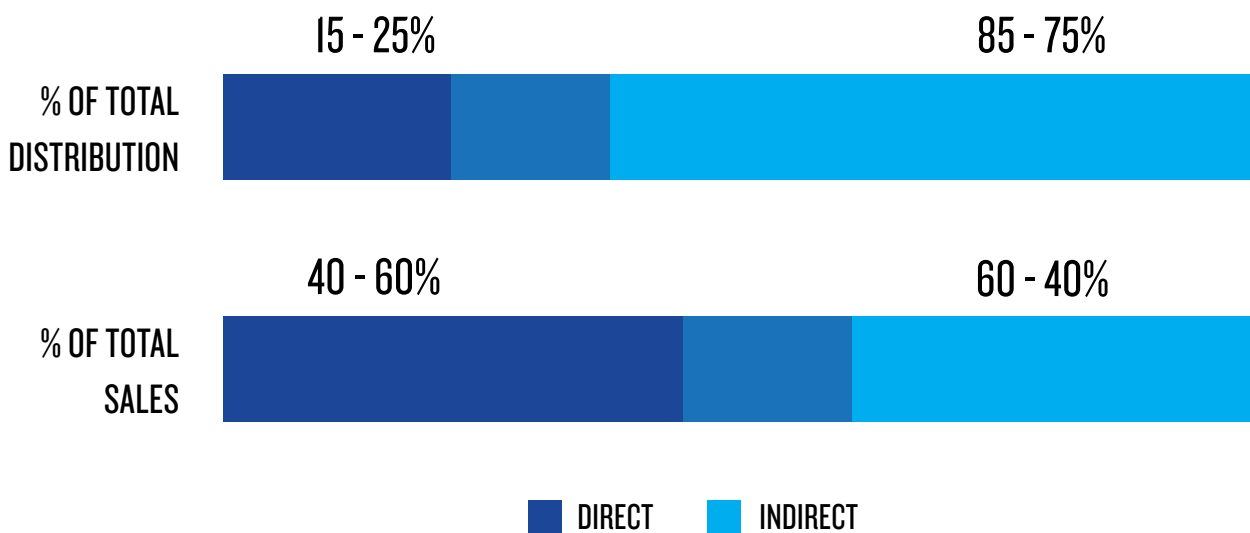
As consumers in India today, we are spoiled for choice when it comes to buying our regular fast-moving consumer goods (FMCG) products. A wide range of retail formats across traditional trade, modern trade and online stores make it convenient to replenish our homes without giving it much thought. In contrast, FMCG manufacturers regularly lose sleep over the best strategies to get their brand of products into an increasing number of homes, thereby driving growth and reaching untapped markets.



A LOOK AT THE RETAIL TRADE SCENARIO IN INDIA

India has one of the most complex retail trade environments in the world. In fact, Nielsen estimates indicate that there are about 10 million retail stores in India, and that companies reach just about two million retail stores directly. This leaves a massive eight million to be serviced through indirect wholesale redistribution. Indirect channels generate 40%-60% of sales for these companies. Wholesale feeder markets reach, service and meet demand in those outlets where direct distribution does not reach. While direct distribution promises better control over execution, it is expensive and resource-intensive. The sheer expanse of the markets makes wholesale distribution at least as important, especially in the smaller urban and rural markets. A focused wholesale (indirect) distribution strategy can be a cost-effective and efficient way to maximise indirect reach.

IMPACT OF INDIRECT REACH DIRECT VS. INDIRECT DISTRIBUTION



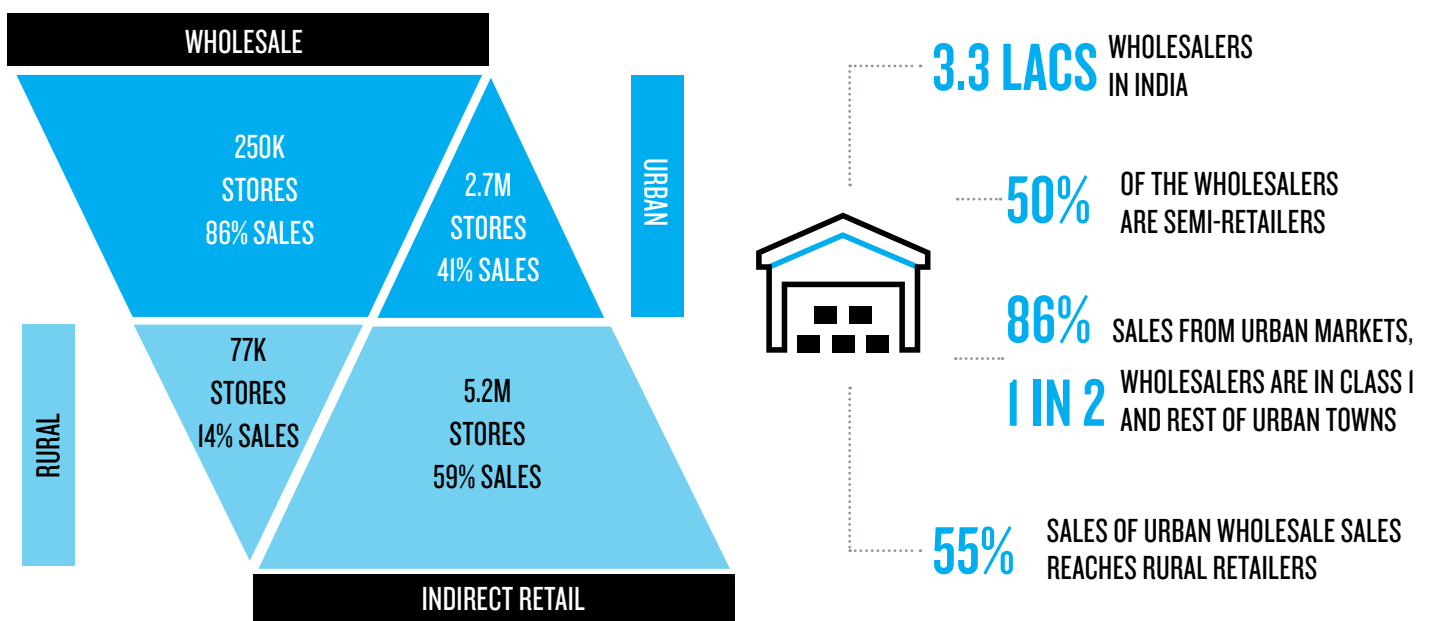
Source: Nielsen

TAPPING THE RIGHT WHOLESALE FEEDER MARKETS TO MAXIMISE REACH

Companies today have a very limited view of wholesale stores and feeder markets beyond their existing reach. To bring a data-oriented approach to tapping growth potential through wholesale reach, Nielsen analytics and data science experts collected and analysed primary data on wholesale from 1,200 towns and over 6,000 villages. More than 150 variables covering population, connectivity, amenities and infrastructure across towns and villages were analysed. This resulted in the ability to estimate, for the first time, wholesale sales and stores by towns and villages using predictive modelling. This research has revealed some actionable insights on wholesalers in India.

According to the data, there are about 3.3 lacs wholesalers in the country, half of whom are semi-retailers, who sell directly to consumers as well. Interestingly, the contribution of retail sales from these semi-retailers is almost as much as modern trade in India, which is approximately 9% of the total FMCG sales. This has an implication on the kind of assortment that companies can take to these stores vis-à-vis pure wholesalers.

KEY HIGHLIGHTS OF WHOLESALERS IN INDIA



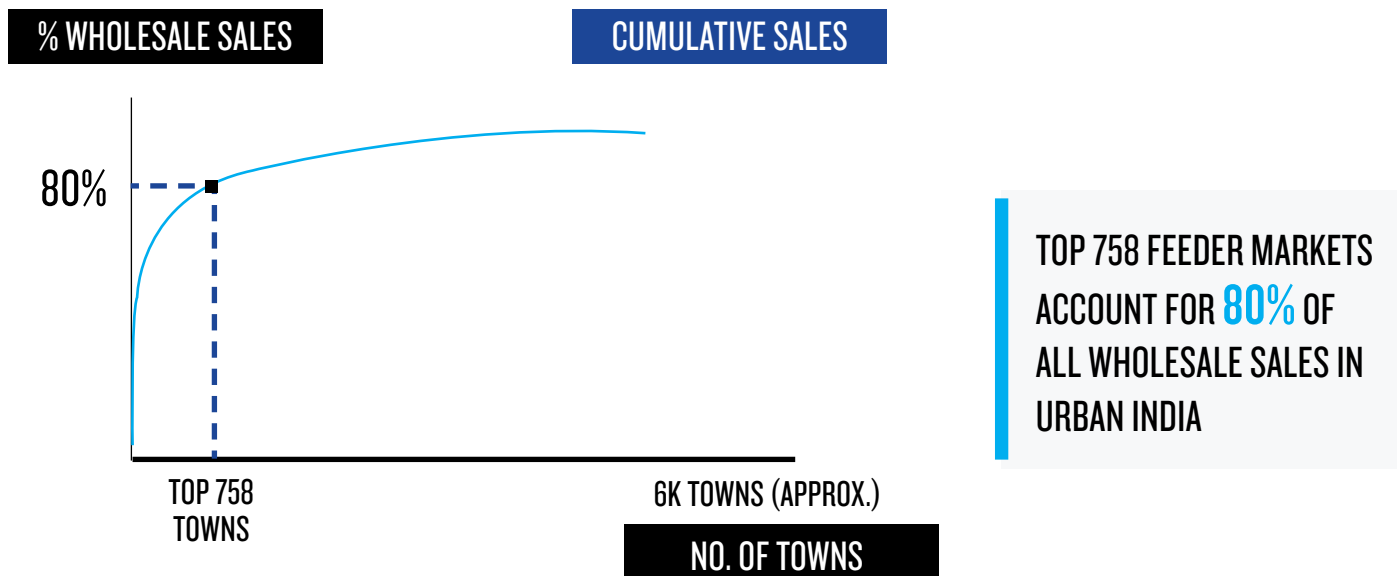


THERE ARE ABOUT 3.3 LACS WHOLESALERS IN THE COUNTRY, HALF OF WHOM ARE SEMI-RETAILERS, WHO SELL DIRECTLY TO CONSUMERS AS WELL. INTERESTINGLY, THE CONTRIBUTION OF RETAIL SALES FROM THESE SEMI-RETAILERS IS ALMOST AS MUCH AS MODERN TRADE IN INDIA, WHICH IS APPROXIMATELY 9% OF THE TOTAL FMCG SALES.

Unsurprisingly, nearly 85% of all FMCG wholesale sales happen through wholesale stores in urban markets. While metros are an important base for wholesalers, every second wholesaler is based out of non-metro urban markets. As per Nielsen data, it is estimated that 45% of the sales from wholesalers in urban markets is made to urban retailers, whereas 55% of the sales is made to retailers in the surrounding rural areas.

The prospect of being able to prioritise key wholesale markets can have a significant impact on a company's distribution strategy. The opportunity for prioritisation might well be possible because the Pareto's principle applies here as well. In fact, just 12% of towns are responsible for 80% of urban wholesale sales. As a result, there is a huge opportunity to maximise indirect reach by optimally targeting the right wholesale feeder markets. Our estimates reveal that reaching and activating one of the top wholesaler feeder markets can give a manufacturer access to over 6,500 FMCG retail stores.

PRIORITISING WHOLESALE FEEDER MARKETS



Source: Nielsen

PRIORITISING WHOLESALE FEEDER MARKETS - A CASE STUDY

A large consumer goods company with offerings across multiple categories in the non-food space wanted to develop a comprehensive wholesale expansion model. The company's two-fold objective was to bridge the coverage gap in the category and identify the efficiency of reach versus sales in individual markets.

The solution was built around creating a wholesale expansion model leveraging client data, Nielsen retail audit data and the Nielsen predicted wholesale estimates.

Uttar Pradesh (UP) is one of the largest FMCG markets in the country. In the case study under consideration, the effort to identify priority markets within the state started with identifying clusters of districts that showed a wide gap between the company's distribution and the overall category distribution. Clusters were then prioritised based on the headroom to expand distribution.



THE EFFORT TO IDENTIFY PRIORITY MARKETS WITHIN THE STATE STARTED WITH IDENTIFYING CLUSTERS OF DISTRICTS THAT SHOWED A WIDE GAP BETWEEN THE COMPANY'S DISTRIBUTION AND THE OVERALL CATEGORY DISTRIBUTION.

IDENTIFY POCKETS OF INDIRECT REACH OPPORTUNITY IN UTTAR PRADESH



IDENTIFY HEADROOM TO GROW INDIRECT REACH

PRIORITISE DISTRICT CLUSTERS

Source: Nielsen

Personal care distribution figures were mapped against company figures in the six district clusters of UP to identify the distribution gap. This helped focus on cluster six as the high-potential market with a clear opportunity of generating incremental revenue.

IDENTIFYING HIGH-POTENTIAL POCKETS



DISTRICT CLUSTER	PERSONAL CARE STORES ('000)	COMPANY STORES ('000)	GAP STORES ('000)
TOTAL UP	1825	831	994
UP 1	58	27	31
UP 2	318	111	207
UP 3	216	117	99
UP 4	424	174	250
UP 5	246	116	130
UP 6	563	287	276

Source: Nielsen

A closer look at the identified market of UP 6 revealed the massive extent of the opportunity. UP 6 is a cluster of 11 districts. Of the 758 key wholesale feeder markets in the country, 52 are in UP 6. These 52 markets can give indirect access to over 200,000 additional retailers.

THE UP 6 OPPORTUNITY

UP 6- DISTRICT CLUSTER		NO. OF TOWNS/ VILLAGES	NO. OF WHOLESALE FEEDER MARKETS
BUNOR, PILIBHIT, GHAZIABAD, RAMPUR, MUZAFFARNAGAR, BAREILLY, MEERUT, BAGHPAT, JYOTIBA PHULE NAGAR, MORADABAD, SAHARANPUR	METROS	2	2
	CLASS I	14	13
	ROU	156	37
	RURAL	12481	-

Source: Nielsen

The company's wholesale reach and sales efficiency, or the average "sell-in" per wholesaler, was mapped to these 52 key feeder markets. The reach and sales efficiency were then benchmarked against a predefined target to identify them as "high" or "low" potential markets in terms of reach and sales efficiency.



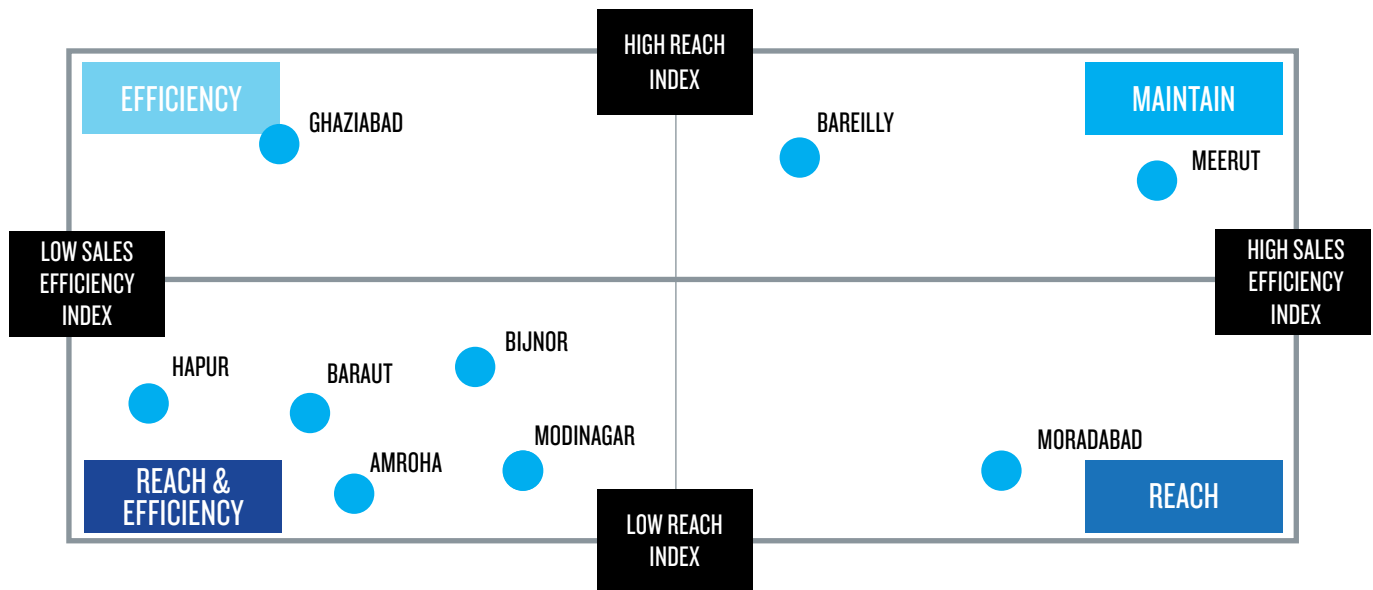
CREATING HIGH AND LOW-POTENTIAL BUCKETS

KEY WHOLESALE FEEDER MARKETS	COMPANY WHOLESALE STORES	REACH INDEX	% COMPANY INDIRECT SALES WITHIN TOP TOWNS	SALES EFFICIENCY INDEX
GHAZIABAD	287	HIGH	3.7	LOW
MEERUT	215	HIGH	12.4	HIGH
BARAUT	60	LOW	2.9	LOW
BAREILLY	109	HIGH	9.0	HIGH
BIJNOR	69	LOW	2.3	LOW
HAPUR	21	LOW	2.6	LOW
MODINAGAR	53	LOW	2.7	LOW
AMROHA	90	LOW	2.5	LOW
MORADABAD	85	LOW	3.4	LOW

Source: Manufacturer data shown here is only for representation purpose

The numbers were plotted on a grid to identify necessary actions for each feeder market. For example, the reach in Ghaziabad is high while sales efficiency is low, therefore presenting an opportunity to get more out of the existing wholesale stores. Similarly, feeder markets like Bijnor and Hapur are below-average both in terms of reach and sales efficiency.

DEFINING WHOLESALE ACTIONS BY MARKETS



DRIVING REACH AND EFFICIENCY IN PRIORITISED MARKETS

Once markets are segregated into which distribution tasks need to be driven in them, the action-plan is laid out for manufacturers. There are ways in which both reach and efficiency can be driven. To drive reach, companies can grow direct coverage of wholesale stores by either scouting for stores through internal sales teams or sourcing lists. To drive efficiency, internal and external benchmarking with competitors on trade margins and terms, assortment and consumer preference, would help get more from the outlets you are present in.

A structured data driven approach to wholesale expansion can have significant impact on business growth through distribution expansion while keeping the costs low.

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ABOUT NIELSEN

Nielsen Holdings plc (NYSE: NLSN) is a global measurement and data analytics company that provides the most complete and trusted view available of consumers and markets worldwide. Our approach marries proprietary Nielsen data with other data sources to help clients around the world understand what's happening now, what's happening next, and how to best act on this knowledge. For more than 90 years Nielsen has provided data and analytics based on scientific rigor and innovation, continually developing new ways to answer the most important questions facing the media, advertising, retail and fast-moving consumer goods industries. An S&P 500 company, Nielsen has operations in over 100 countries, covering more than 90% of the world's population. For more information, visit www.nielsen.com.



The background is a solid blue color with a 3D wavy pattern that creates a sense of depth and movement. The waves are horizontal and flow across the frame. In the center, the word "nielsen" is written in a white, lowercase, serif font. Below the letters "i", "e", "l", "s", and "e" are five small white dots, each centered under a letter.

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