

Retailing in Emergent Markets:

Strategic Foundations & Best Practices



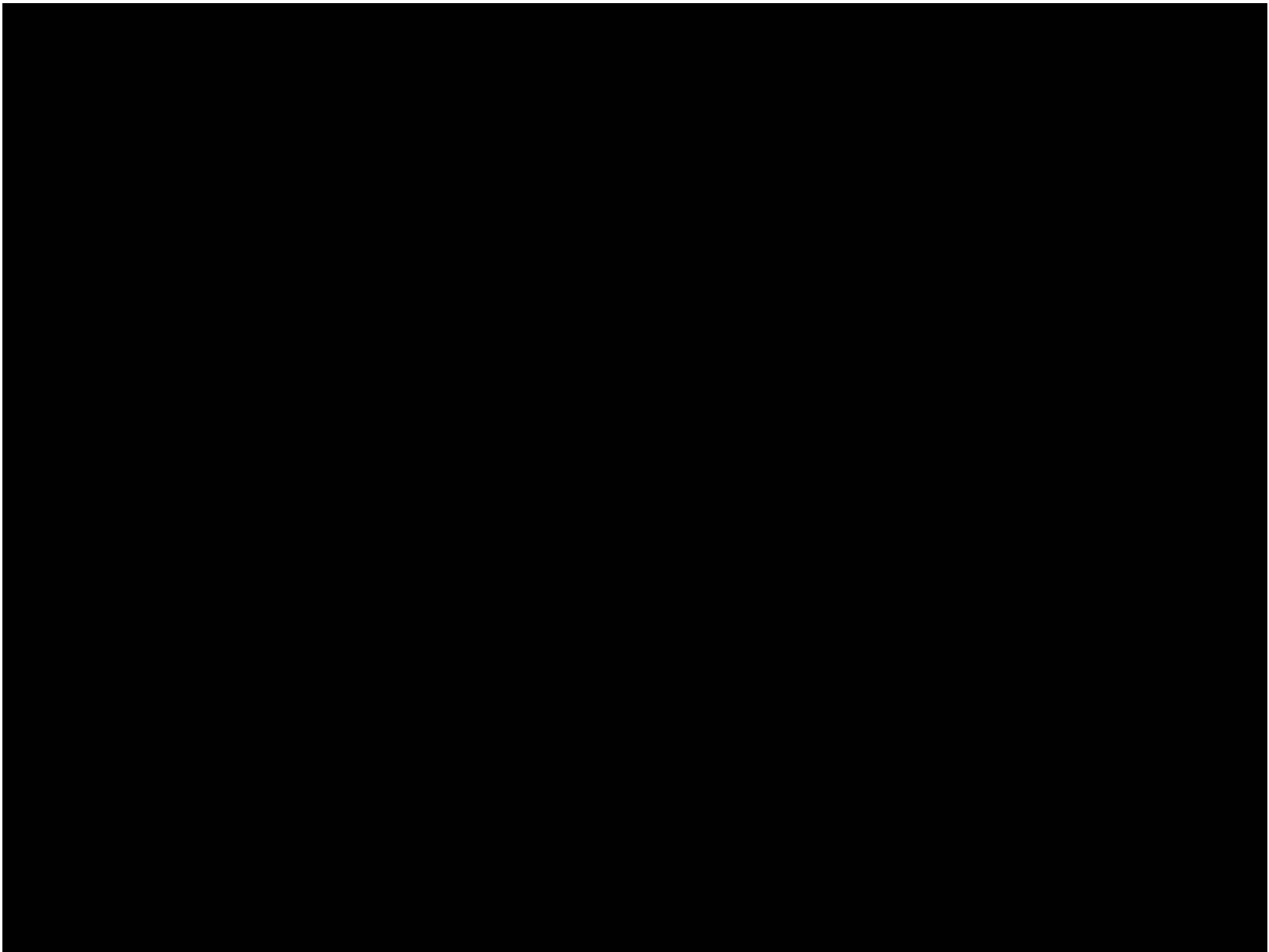


Gwen Morrison, The Store

Guillermo D' Andrea, CCRRC

Norberto Rossi, Supermercados Peruanos

David Marcotte, Kantar Retail



Guillermo D' Andrea



Retailers are shaping the future by creating a compelling vision



Serving the underserved



**Pick n Pay offers products in the traditional way,
but with an aspirational vision.**



**Meat stew on sale,
Bara market, Soweto**

Pick n Pay offers products in the traditional way, but with an aspirational vision.



**Meat stew on sale,
Bara market, Soweto**



**Prepped & bagged foods in Bara
Pick n Pay , Soweto**

Pick n Pay offers products in the traditional way, but with an aspirational vision.



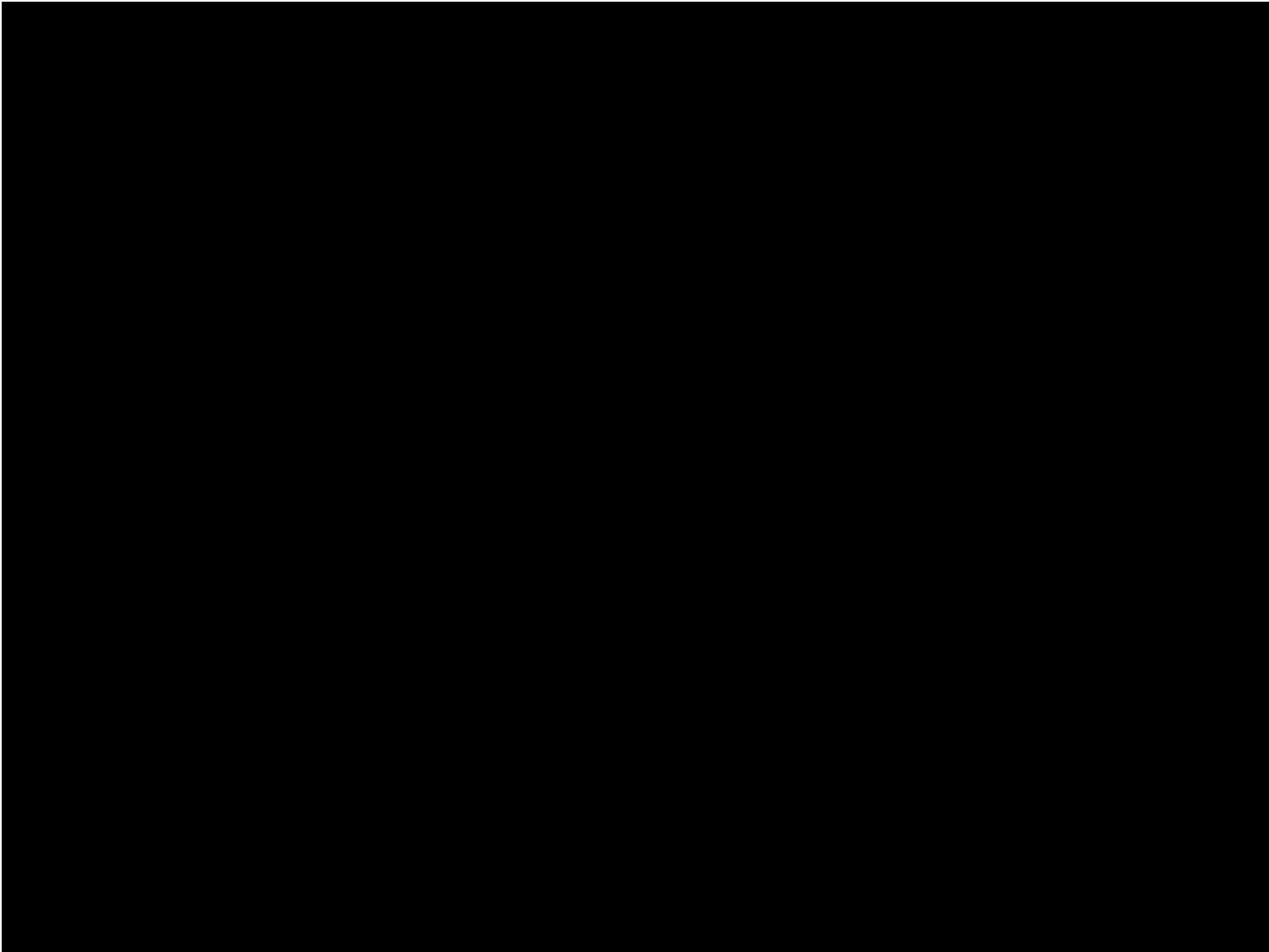
Meat stew on sale,
Bara market, Soweto



Prepped & bagged foods in Bara
Pick n Pay, Soweto



Modern merchandising at Pick n Pay
store in Soweto's new mall



Transition from street selling to modern retail on the street



Transition from street selling to modern retail



On the street

In the store,
Boxer, Durban



Transition from street selling to modern retail



On the street



In the store,
Boxer, Durban



Emerging consumers rapidly adapting to the modern world



Meet Morgan: Pick n Pay franchisee, Soweto



Building the transition from traditional to modern shopping on the outskirts of Lima

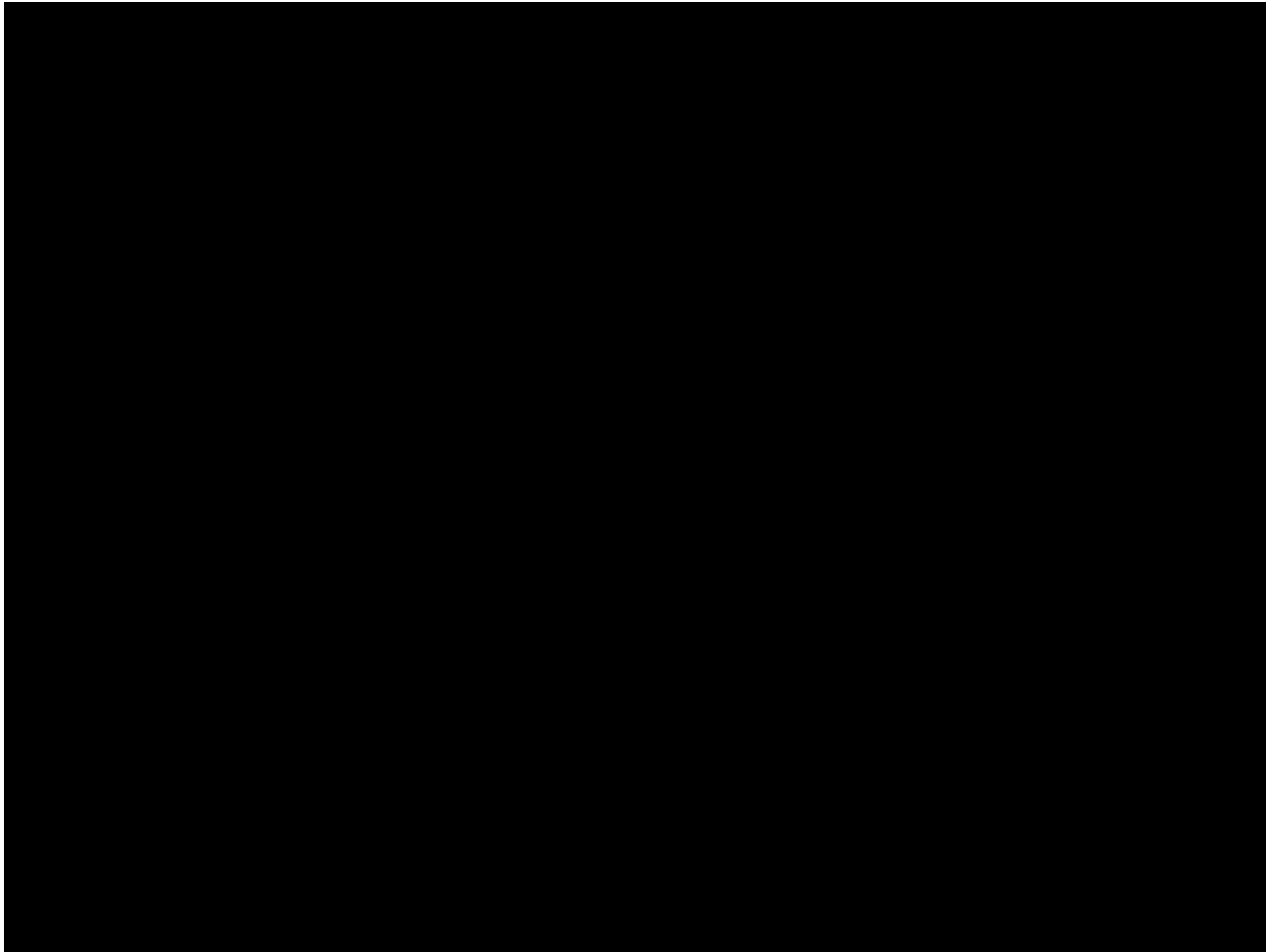


Minka – Formalizes the Informal





The format provides consistency and order



Retailers in emerging markets constantly innovating to create value for their customers

Disruptive Changes



Continual Crisis

**Retailers in emerging markets constantly innovating
to create value for their customers**

OPPORTUNITIES!

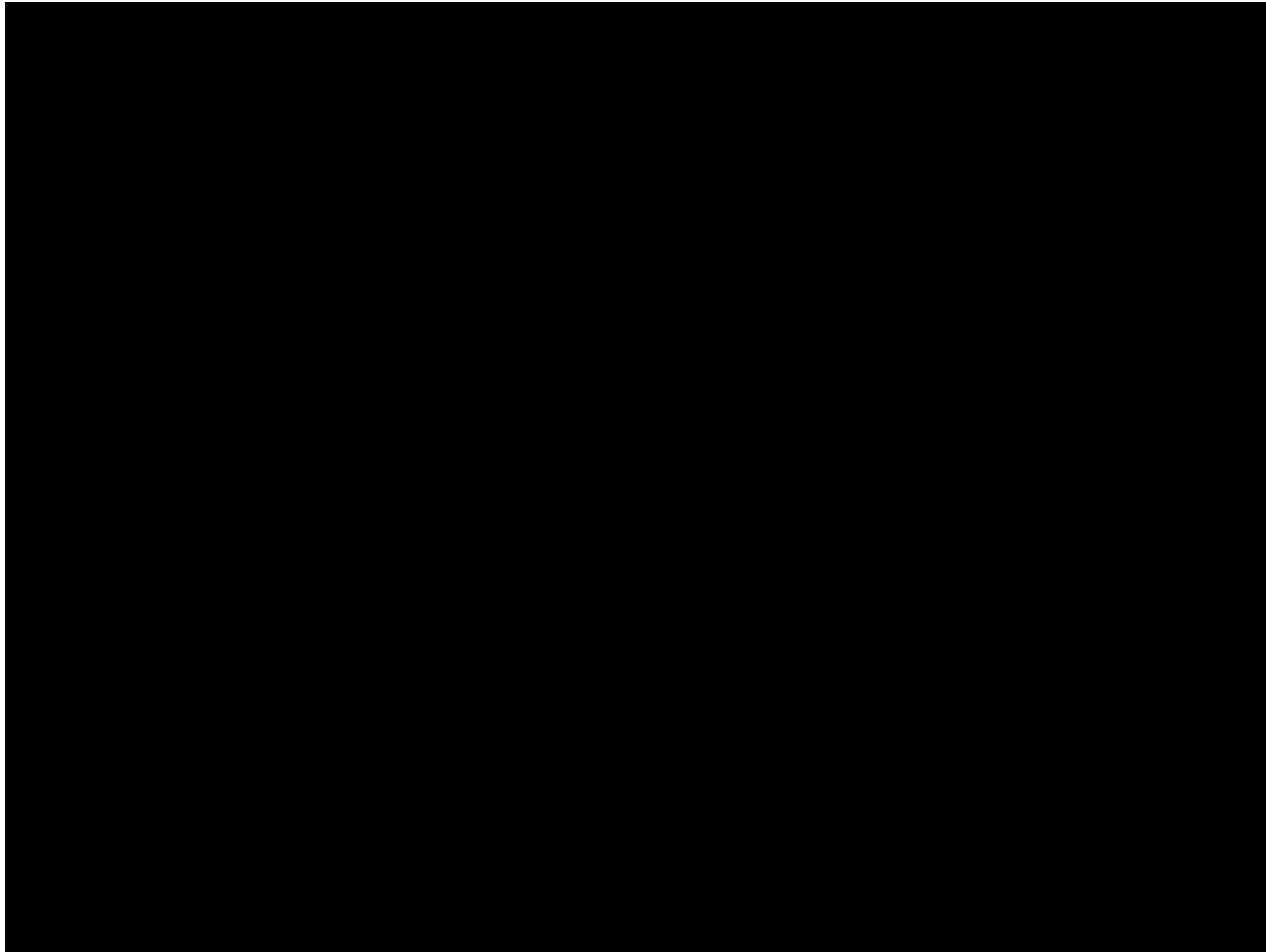
Turkey 2002 Hyperinflation:

Challenge: How can we help customers cope?



Turkey 2002 Hyperinflation:

Answer: Freeze prices for three months



Result:

2010 – Customers from all segments still trust BIM to always have the lowest prices



BIM Aktüel

06 Kasım'dan itibaren mağazalarımızda stoklarla sınırlıdır.

Bilgisayar Masası
• 50x80x75 cm
• 2. kademeli tutaklı
• Dengeli
49,90 TL

Ofis Koltuğu
• 1. sınıfı koltuk
• Isınan oturma kısmı
• Ayarlanabilir
• Güçlendirilmiş ayak
• Mottolü süpürge
• 2 yıl garanti
49,90 TL

Pul Mont
Bay: M-L-XL-XXL
Bayan: S-M-L-XL
4,95 TL

Yağmurluk
S-M-L-XXL
14,90 TL

Bayan Hırka

MENTOS
LOSIDADE
-RIBOSSE MAS UNHAS
ECCIONADA
DE PEIKE

491
982

METODO
CURSO
TEORICO-TÉCNICO
PARA AUTONISTAS
6742.6838
1º ANUAR

loja virtual

Magazine Luiza

loja virtual

Compre e use sua maquininha
até 30 dias e 28 mil reais

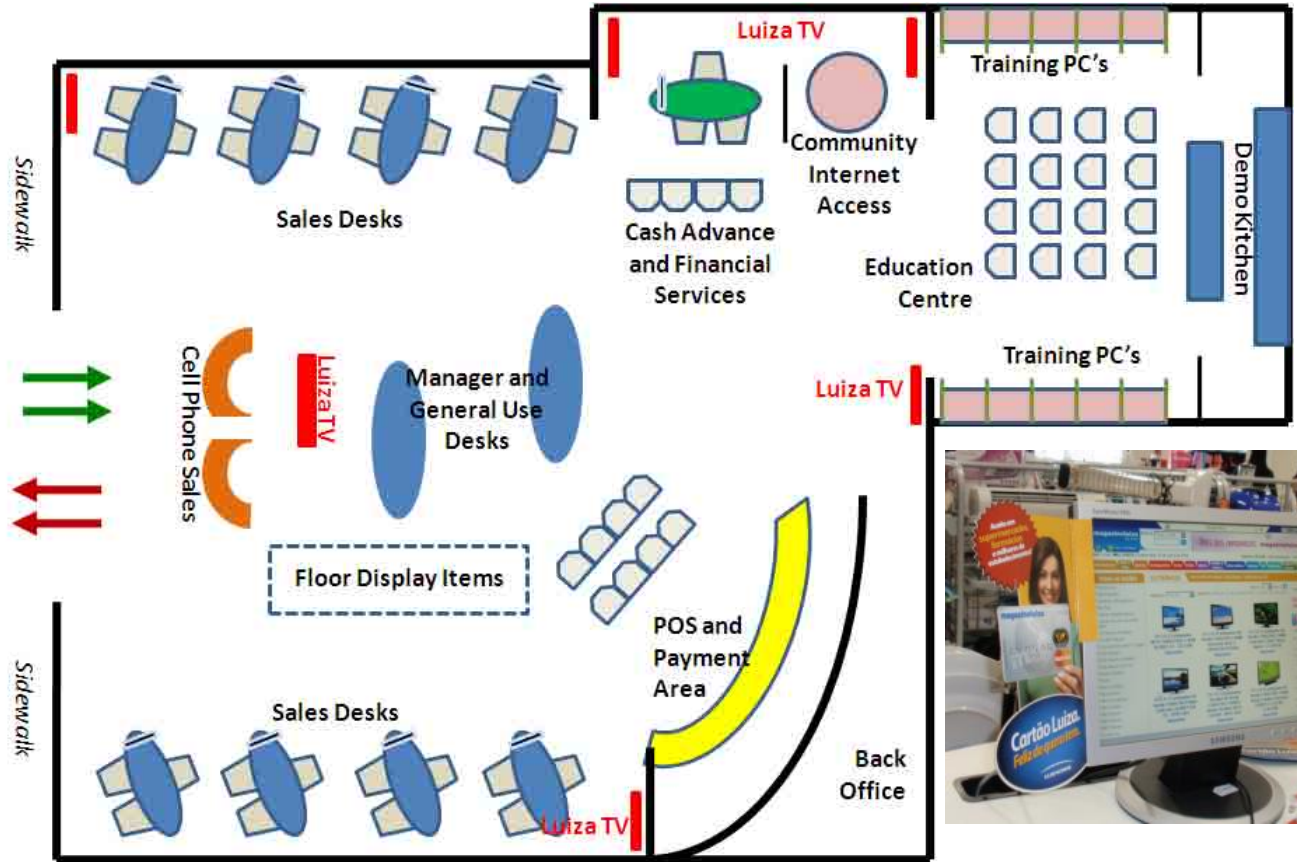
TOPAZIO BIJOUTERIAS
PRATA-FOLHEADO MARCASITA
MOSTRUÁRIOS em CONSIGNAÇÃO
Tel. 6741-9740



Virtual stores to reach small town and low-income communities, where consumers shop from online catalogues.



Magazine Luiza Loja Virtual
Franca Brasil



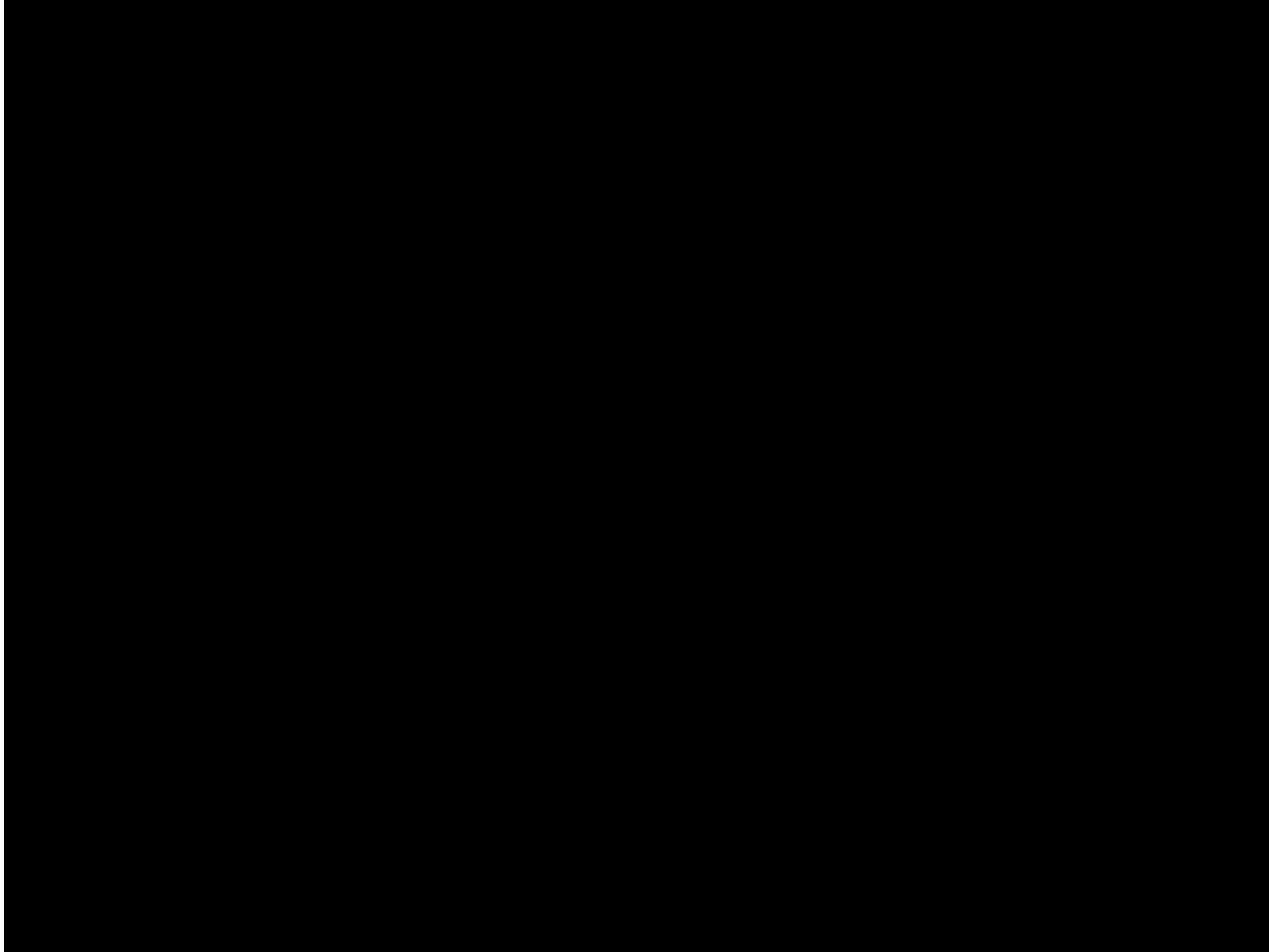
magazineluiza
vem ser feliz

- 300 virtual stores
- An oasis in small towns and poor neighborhoods
- No physical display
- Home delivery in 48 hours



magazineluiza
vem ser feliz

In their flagship format, they go one step further in helping customers realize their aspirations.



magazineluiza
vem ser feliz

WPP

Brides get “Royal” treatment on their wedding day



Free hair styling in the store

magazineluiza
vem ser feliz

CASAS BAHIA

**Going the extra mile for the customer –
Super Casamento (Super Weddings)**



Serve all customers, All incomes

Retailers in emergent markets serve customers from all income levels—rich, poor and all of those in the middle.

- 1. The middle class alone is not yet large enough** to support the growth of a substantial retail business.
- 2. Lower income individuals and families already are important consumers.** As their financial wellbeing improves, they will become higher spending customers and members of an expanding middle class.
- 3. People at all income levels shop in both the fragmented and organized markets.** These emergent market realities present retailers with a difficult challenge: convincing customers from across the entire income spectrum that they can meet their needs.

The difficulty is compounded as more retailers enter emergent markets, and shoppers realize that they have increased choice.



Vivanda, Plaza Vea, Mass Banners
High-Middle-Lower Market Segmentation
Supermercados Peruanos



Norberto Rossi



PERU

SUPERMERCADOS PERUANOS



Vivanda, Plaza Vea, Mass
Supermercados Peruanos

Peru – Interbank’s Supermercados Peruanos

A private equity held retailer establishing best practice is a rapidly changing market

Interbank created a private equity company to manage retail in Peru based on the increased participation of the emergent market to fuel overall growth

Plaza Vea targets mall locations based on drawing from the full spectrum of possible customers, with the understanding that it is a multi-year investment to create new customers from the emergent market

Super Vea defining the store space, overall offerings, and security to reflect the increased and sustained traffic of the weekends and holidays

Mass is a limited assortment grocer aimed at poorer neighborhoods with fresh product and staples at low prices



Mass



Plaza Vea



Vivanda

Delivering the high level experience to an aspirational consumer

The screenshot shows the Vivanda website interface. At the top left is the Vivanda logo with the tagline "piensa fresco". To its right is a banner for "Tu Guía de Compras Consulta aquí" featuring a basket of fresh produce. Further right is a "Sommelier Virtual" banner with a man holding a wine glass and the text "Asesórate aquí". Below these is a navigation bar with icons for Home, Twitter, Facebook, and Delivery. A main menu contains links for "Mis Recetas", "Blog Vivanda", "Novedades", "Conoce Vivanda", "Gente Vivanda", and "Servicio al Cliente". The main content area features a large banner with a wine glass, cheese, and bread, with the text "HAZ CLICK AQUÍ para ver la guía". To the right of this banner is a search bar and a login section titled "Únete a la frescura" with fields for "e-mail" and "contraseña", an "Ingresar" button, and links for "¿Quieres inscribirte? Regístrate haciendo click aquí" and "¿Olvidaste tu contraseña? Recúperala haciendo click aquí". At the bottom, there are buttons for "Lo nuevo en Vivanda" and "Mis Recetas".



KEY THEMES OF THE STUDY

Understanding the Consumer

Leisure becomes a new past time in Emergent Markets

The key to understanding leisure time is to understand mobility

- A customer that can go someplace desirable and stay there long enough to enjoy while being able to make it home
- Most central retail location have this appeal
- In this market they almost always have organized entertainment available on the peak periods of traffic

Transportation is one concern, safety is the other

- Where safety is a concern, retail plays a role (sometimes for self-protection) of providing the environment
- Safety is provided by trained security
- And a setting that appears to be safe

Leisure is a family activity, the retailer has to be prepared for larger families to spend protracted periods of time



Maponya Mall, Soweto

Company Value and Branding

Action Steps to consider from insights into the study of emergent retailers



Oil Aisle with Brand Signs
Mass Banner
Supermercados Peruanos



Bean and Rice Vendor
Lima Peru

Establishing a brand within the market is critical – It is of higher importance for a retailer than in developed markets since the shopper trip will rarely be casual in nature

The brand has to reflect local value – That brand message needs to have resonance to key elements of local life such as the home, family, neighborhood, or religion

Value and Brand Development



Pick n Pay
Johannesburg
South Africa

Expert and Functional Employees

Understanding the strategic difference between the two is critical to retailers in this market



Store Manager Pick n'Pay



Store Aisle Beirdronka

There was a very wide range of training and motivation programs in use by the retailers studied. They could be summarized as:

- **Expert** – The employee is fully enabled and compensated to develop customer relationships overtime via expert negotiations, sell-thru, and product knowledge
- **Functional** – The employee is expected to execute to clearly stated standards and by doing so services the customer in the best possible way. In this case the store and compliance to standards is key importance

Compensation in each case is driven by their ability to execute against a creative company expertise or to defined company standards

Training for the Expert is heavily weighted toward a corporate culture and sense of inclusion. For the functional an emphasis on existing standards

Training Employees

Images from Brazil and South Africa



Figure 2f: Educating customers and employees at Pick n Pay



Figure 2c: Pick n Pay employees take great pride in their work



Figure 2d: Pick n Pay in-store media educates shoppers by day and employees off hours



Figure 2e: Awards and Promotion Night at Magazine Luiza



Figure 2b: Employee camaraderie at Magazine Luiza



Figure 2g: Magazine Luiza's Training and Demo area helps customers and employees

Store Design Incorporates Financial Services Offered in a Safe Environment

Making it possible to manage multiple financial activities adds value to the shopping trip

*Financial services with cultural relevance: e.g. funeral plans
Mzansi program (banking for low income earners)*

Education

Maponya Mall, Soweto, Johannesburg



Connectivity, free internet access

Magazine Luiza, Sao Paulo

Systems: Implement Best Practice

Primrose Square,
Johannesburg



In South Africa where there is a great cultural emphasis on greetings, care is taken to observe local custom in the transitioning economy.

Until recently, it was possible to make a good profit without them.

That's no longer true. Profit in emergent markets did not depend primarily on growing sales and controlling costs. Instead, profit mostly was a function of how much credit was extended to customers and at what interest rates.

Heightened competition provided the wake-up call. As international retailers with sophisticated systems and operations arrived in emergent markets, local executives, often educated at the business schools of North America and Europe, became knowledgeable about the latest management theories and practices.

The rules changed. The profitability of credit eroded. Understanding and controlling costs has become a critical imperative. And leading emergent market retailers are getting “organized” quickly, learning from their local best-in-class retail competition and benchmarking against best-in-class retailers worldwide.

Logistics can be Radically Altered

Governments are in common cause with retailers and vendors in improvement of logistic infrastructure



The Peruvian government stated it spent US\$3.6 billion on roads in 2009 and intends to spend US\$4.2 billion in 2010

In these markets, the infrastructure needed to facilitate logistics is improving in a revolutionary manner:

- New road and rail networks
- Better systems integration
- Reduction of internal and external tariffs
- Improvements in security
- Wireless communication between vehicles and distribution points

However, there are still major challenges of ensuring product is in the right place at the right time

- Pick 'n Pay accepts a higher ratio of on-site inventory
- Magazine Luiza operates a virtual inventory management
- All are trying to improve information flow by installing Enterprise Resource Planning (ERP) software solutions

Logistic Challenges and Requirements

Accepting larger inventories in place and considerations to packaging as well



Shelf Ready Packaging
Bierdronka

Inventories are a by-product of the evaluation of logistics in these markets. Sometimes more is more.

Shelf ready packaging increasingly is answer used in these markets to limit the amount of handling within the logistic chain

Connectivity is a Priority

Customers rapidly absorb all communication devices to everyday activities including access to commerce

Connectivity, communication, browsing

- Use multiple sources for phone – and know the prices/ best deal for all
- Cell phones used for e-mail and browsing vs. talking



Communications only works if there is connection

- This creates a need to re-think what being online means in an emergent market
- Cell phone usage also has strategic implications--not just a matter of using SMS as a tool, but thinking about connectivity in a greater sense
- Opportunities for offers & loyalty programs that capitalize on consumer usage (free minutes for spend)

Unique Dynamics Make the Mobile Phone a Lifeline

Cultural – a compass that shows Muslim users the direction of Mecca

Language – voice recognition for countries with high illiteracy rates

Industry – weather information for rural farmers with daily crop prices for three of the closest markets

Safety – SMS notifications of health warnings and reminders (e.g. HIV and drug safety information?/verification.

Access – linking bank accounts and credit cards to mobile phones enables one touch bill payment while new services allow secure, easily accessible mobile money transfer across country

With more than four billion mobile phone users (worldwide) and only 1.6 billion bank accounts, global demand for access to financial services presents a strong opportunity,” says Mary McDowell, an executive vice president for Nokia.





DISCUSSION & QUESTIONS