THE COLLABORATION PARADIGM
CONSUMER GOODS BUSINESS IN EMERGING MARKETS
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However, emerging markets are still grappling with this change because technology adoption – for instance, establishment of telecom infrastructure – is a recent phenomenon. Also, CG companies operating in these regions face some typical challenges:

Outlet Proliferation

An excessively large number of outlets dot the distributive trade, with multiple players servicing unique local needs. Philippines is a case in point. There are around 700,000 sari-sari stores (convenience stores) serving more than 90 million Filipinos and contributing to about 40% of the retail market sales in the country.

CG companies are thinking out of the box to reach the consumers. For example, Indian biscuit major Parle sells its flagship Parle-G brand at price points as low as INR 2 to INR 50 to cater to different user segments.

Local Merchant Services

These organizations also find the unique servicing mechanisms provided by local players in emerging markets – like granting free credit, delivering groceries to the doorstep, servicing orders placed by households over the telephone – difficult to replicate.

Nevertheless, with collaboration as the tool, they are beginning to circumvent these challenges and are altering the stakes in their favor.

Collaboration Focal Points

Some of the areas of collaboration for CG organizations are discussed below:

Sales Force Collaboration

The field sales force that services the retailers is on the rolls of the distributor. While the area sales managers oversee the sales efforts, this creates a challenge to decision-making due to paucity of information and visibility into the CG organization’s tactics in the marketplace.

The company can address this issue by adopting certain collaborative best practices.

The company can provide the field sales force with access to open sales orders and shipment information, and empower them with handheld devices and service orders (in the case of van sales) to help them take orders. Also, providing the field force with insights on fast-selling and
slow-moving items at the store will enable replenishment decisions.

Further, they should be provided information on events planned, and layouts, including product placement details. A store profile – a factsheet with details on ownership, sales history, competition, etc. – will also be helpful.

Additionally, the company can impart regular training to keep the field force updated with current market dynamics, helping them sell better, and aiding tactic and strategy execution.

**Distributive Trade – Execution Level Collaboration**

“What part of the sales budget is to be apportioned to trade promotion?” – Finding the answer to this is a challenge for CG companies. Further, they have to negotiate with retailers and distributors to promote the CG companies’ brands. Planning for a universe of thousands of stores, amidst problems of accurate data to baseline and planning trade promotion spends, is a major issue.

High-level planning by the ERP (Enterprise Resource Planning) systems at geographic region/channel format/sales region level renders the problem more complex thanks to the lack of planning at an outlet level. The companies are also unable to track execution and agreements across the horde of channels participating in a trade event.

Here again, the implementation of certain best practices helps control spending and utilize it better.

For instance, CG companies can provide the trade events calendar to the distributors and the field sales force. Also, they can negotiate on the timing, spend value and the nature of events based on learning from past outcomes and study of the planned events. Just-in-Time activity and task plans will facilitate better execution of “to do” activities. The practice of putting in use and interpretation of available data in writing and making it available on the hand-helds of the field sales force will reduce confusion.

Step level planning of trade events also helps spend rationalization. Trade events can be cascaded to distributors who in turn can cascade it to the stores/outlets participating in the promotion.

**Store Level Collaboration**

Collaboration at the store level establishes a connect between the retailer and the distributor. This is perhaps more significant in the food line of business where a large number of local players cater to local tastes and cuisine. Here, the CG company, distributor and store team up to work together in certain areas. The snack products business is a good example.

Together, they understand the store’s catchment by gaining insights on the shoppers and consumers serviced, thereby driving store assortment and product placement. They sense product demand by understanding the movement of the SKUs, and the substitutes being purchased.

Stock status is an important focal point of this collaboration too. Inventory monitoring allows the store to manage its cash flows better and helps it to avoid stock outs. Store layout and product placement are also crucial for enhancing store revenue and are key to better product movement.

Moreover, in modern trade, joint product development in the foods segment can help in tackling private labels. For instance, Hindustan Unilever, the Indian arm of Unilever, is partnering with Future Group, which runs the Big Bazaar stores, to co-brand bakery products.

**Distributor Collaboration**

Partnership with the distributors can turn the tide for a CG company, given the distributors’ key role in the value chain as the conduit between the company and retailers.

Store profiling and order servicing are important areas for collaboration. The company can help the distributor ascertain the inventory position at the distributor’s location and the retail outlet and provide inputs for replenishment.
The process comes with unique and diverse challenges. From a historical and current research perspective, there is the problem of data limitations. The sheer size of the market in terms of geography and store numbers can prove to be a logistical nightmare. For example, Russia has 11 time zones, while India has more than 13 million ‘mom and pop’ stores.

The constant flux in consumer demographics and the diversity in consumer markets are by no means small challenges either. Take the case of countries like India and China. The former has more than 22 languages and hundreds of dialects, while the latter has 7 regional languages.

Besides, CG companies often find that the research output from third party agencies is often short on detail.

**Conclusion**

Today, emerging markets are vital for CG companies. But the inherent nature of emerging markets presents a set of challenges quite different from those of developed markets. They are structurally distinct and need a different approach for tackling problems. This calls for strategies that are tailor-made for these regions. It is virtually impossible to make inroads into these markets, without a high degree of collaboration in the value chain.

**References**

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