

# Challenges in the Traditional Trade of Emerging markets



## The developing world,

where four billion people live on less than 2 USD a day, represents a formidable reservoir of demand from current and future consumers. Indeed, in a world where modern retailing is, more than ever before, playing a preponderant role in the

lives of million of shoppers and consumers, one soon forgets that the vast majority of people shop, day-in, day-out in far less sophisticated premises, in the growing cities of India, Indonesia, Brazil or China... in fact, in all cities, towns and villages across developing economies.

Ranging from well organised independent players, to small road-side shacks and single market stalls, this enormous, in parts un-regulated, retailing supports communities and families. How best to research and understand this organic retail world? What are the key challenges to consider? In this article, Arnaud Frade, Regional Director Retail & Shopper for TNS ALM (Asia-Pacific, Latin America, Middle East & Africa), lifts the lid of some of these key issues.

## Challenge #1

The store is not four walls...



Researching 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, multi-product shops

and even back-of-bike operations are common and require different approaches to understand and research – in these instances, a key focus is on approaching the community and isolating local leaders or opinion makers, able to support the research effort and drive local acceptance. From a manufacturer's perspective, this also means considering how distribution affects the ability to actually sell – for example, in locations where electricity might not be continuous, what are the options for providing cool beverages or treats... Ensuring a link with the local communities may help find unusual but highly effective solutions which can then be deployed across markets and regions.

## Challenge #2

Shop keepers are gate keepers



The key entry point to researching and understanding shoppers? The store keeper... contrary to the modern trade, where stores are designed to be self-sufficient and where shoppers are trained to be

autonomous, various considerations lead traditional trade stores to put the emphasis on the shop keeper – for security reasons, trade can be conducted via gated doors; for practical reasons, not all items may be on display; most importantly, the shop keeper plays a critical role within a community, offering credit facilities; advice and reassurance when selecting products. There are several key areas to focus on for a manufacturer: (1) the distribution network plays a crucial role and engaging shop owners via the regular delivery team can be an excellent strategy. (2) credit terms or sales aids can also provide very tangible benefits and support a brand campaign and (3) in smaller shops, the owner will in many cases buy directly from a larger supermarket, 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 sales...

## Challenge #3

Merchandising is a village near Kushing



Maybe not... but merchandising and POSM play a radically different role in the traditional trade – many stores have limited shelf organisation and POSM is not replaced regularly and might in fact overlap across competing brands. Manufacturers tend to have very few customised solutions – some will provide storefront decoration services (awnings

or walls painted the colours 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.

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## 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, uncontaminated, 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.

## 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 – for example by supporting local artisans for a luxury fashion house... 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.

## Top Tips

How best to research the traditional trade in Emerging markets?

Local expertise plays a crucial role, for access, safety and ensuring relevance to analysis but it's also worth considering our top three tips:

1. Understand the store dynamics – the store keeper plays a crucial role and so his/her position also is crucial to the overall sales process. TNS provides mystery sellers, to shadow staff and really understand the interactions at the POS.
2. Look within – a great source of well-informed, credible support staff comes from within communities – they can provide access to local influencers, help run in-field projects and overall, ensure legitimacy and relevance to the local community.
3. Focus on hypotheses – ensuring that each project is framed by very tangible hypotheses is critical in any shopper research project but not more so than in the traditional trade – focusing on elements which the manufacturer can really influence helps ensure a strong buy-in and actionability within the business.

For more information, feedback or comments, please feel free to contact:

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