



# Capturing Untapped Retail Sales Through Micro-Distribution

## Introduction

Just as food trends have drastically altered grocery store aisles over the last few years, the retail landscape has also been transformed. By limiting food and beverage distribution to traditional channels, corporates are missing 15-35% of retail sales in established markets and 40-60% of sales in emerging markets. Deploying micro-distribution strategies enables food and beverage corporates to uncover additional sales and marketing opportunities..

## Alternative Retail Markets

Today there are hundreds of thousands of untapped, uncalled-on retail outlets that simply aren't being reached by traditional distribution. This uncalled-on universe represents significant opportunity not only to increase sales, but to test new products and marketing campaigns.

Alternative outlets such as C-store hybrids, delis, cafes, co-working spaces, single and small chain independent stores, hotels, and juice bars continue to pop up in urban markets around the world. It's a constantly evolving landscape—and geographically unique.

In urban centers of the US, customers grab healthy drinks at their yoga studio or a juice bar. In Germany, hanging out at the corner späti is popular. In Africa, beer parlours and roadside sellers are common.

Reaching the consumers who patronize these specialized and independent retail outlets is extraordinarily difficult for corporates. Why? Frankly, big distribution has become oversized and lazy. A typical distributor delivers 20 pallettes of one product to the big stores and drip-feeds sales data back to the corporate.

Alternative retail outlets aren't reached by traditional channels because they typically require smaller deliveries of 5-15 cases a couple of times a week. However, they make up for that lower volume by offering higher margins and direct marketing access to the end-customer. They're also useful for rapidly deploying and testing new products.



### UNCALLED-ON UNIVERSE OF FOOD & BEVERAGE RETAIL

- C-store hybrids
- delis
- Cafes
- Co-working spaces
- Single/small chain independent stores
- Juice bars
- Yoga studios



# ALTERNATIVE RETAIL OUTLETS



Are not reached by mainstream distribution



Get you closer to the customer



Are great for rapidly deploying new products



Offer higher margins



Give you marketing access to end-customer



Are an opportunity to create new business models

If corporates can't rely on traditional distribution to access these new channels, what are the options? No food and beverage corporate wants to become a distributor—they simply don't have the bandwidth, resources or appetite to build the kind of infrastructure required to serve the alternative market, especially when that market is across the globe.

## Micro-Distribution Strategies

For nearly 15 years, Pilot Lite has launched new products around the world for some of the world's largest food and beverage companies, including PepsiCo, Kraft Heinz, Unilever, Kimberly Clark, GSK and Diageo.

We have honed our micro-distribution capabilities working in emerging markets, where traditional distribution channels reach only a fraction of retail outlets. As retail markets in the US and Europe have fractionalized, new opportunities to implement micro-distribution strategies in more established markets have emerged.

Pilot Lite has successfully implemented micro-distribution strategies in European cities on behalf of global food and beverage corporates. The first step in each engagement is identifying or mapping the alternative retail market in specific geographic area. Once mapped, we develop a bespoke go-to-market strategy and an infrastructure to sell and distribute food and beverage products to the outlets.

We do this by putting boots on the ground and tailoring our route-to-market and distribution strategy to the local culture and economy. With a proof of concept, the corporate is then able to integrate the new micro-distribution network back into their business.

Key components of our bespoke micro-distribution models:

- Strategies are built based on the specific needs of the retail outlets, geographic location and consumer demographics.
- We build a mosaic of delivery partners capable of reaching the market's alternative

retail outlets and link them to wholesalers and semi-wholesalers. This mosaic may include tuktuks, bike and trailers, mini-vans, push-carts, and hawkers.

- Delivery schedules and stock rotations are tailored to individual outlets and their needs.
- Fulfillment and rapid distribution is critical. (In the moment NPD?)
- A unique sales narrative must be developed specifically for the alternative outlets and market.
- Micro-distribution strategies are adjusted not on basic KPIs, but on the data captured and assimilated from target outlets.
- Successfully integrating a newly mapped alternative retail market and micro-distribution model back into the corporate requires planning, preparation and coordination with the receiving business unit.

Here are a few brief case studies that demonstrate the effectiveness of micro-distribution strategies in both established and emerging markets.

## Multi-City Alternative Universe Mapping

**Client: Leading Global CPG**

**New health and wellness drinks including gazpacho, kombucha and cold-pressed juices**

 Berlin, Copenhagen, Stockholm London

 Mapped the uncalled-on universe of retail outlets and identified routes to market with a mosaic of micro semi-wholesalers and localized hub

 Client is now distributing to additional alternative outlets with delivery partners feeding into their main distributor: a win - win for all



In this multi-city project, the client wanted to expand the reach of their brands beyond mainstream grocery into more specialized retail and food service outlets in Berlin, London, Copenhagen and Stockholm.

Our first step was identifying and mapping the food and beverage outlets outside the reach of mainstream distribution in each city. For example, in Berlin alone, we found 2,000 uncalled-on retail outlets. Next, we identified a route-to-market and a distribution partner.

In Stockholm, we went a step further, managing the launch of the Naked Juice brand into the newly mapped alternative market. Over a five-month test period, we distributed the product into 300 independent outlets and doubled our target sales volume. With a proof of concept for the micro-distribution strategy, the client planned to expand micro-distribution across the wider Scandinavian market.

## Launching Affordable Nutrition Products in Nairobi

A global CPG asked Pilot Lite to test-launch existing affordable nutritional products in Nairobi, Kenya, where the alternative food and beverage market is enormous: just 10 percent of food and beverage retail happens in supermarkets. The majority—or about 80 percent—of food and beverage trade takes place in traditional open markets that aren't supported by mainstream distribution.

Our first step was to establish a NewCo to manage the launch, including warehousing, logistics and marketing. We also helped the CPG determine the appropriate package size, price point, product formulation and labeling for the market.

To reach the traditional market, we recruited and trained local influencers who could sell direct to consumers and through partnerships with stores and other organizations. To distribute the products, we created a mosaic of semi-wholesalers and wholesalers.

Over a four-month trial period, we quickly hit our sales target, selling more than 200,000 products and establishing a proof of concept. We continued to help the corporate client with a multi-country expansion of the affordable nutrition line.

**Client: Leading Global CPG**

## Affordable nutrition product line

Nairobi, Kenya

Surpassed sales target of 200,000 products and established proof of concept

PLV is helping client with multi-country expansion of product line

**AVAILABLE INSTORE**

## Increasing Beer and Bitters Sales

Our client, one of world's largest producers of spirits and beers, asked Pilot Lite to reach into the uncalled-on retail universe in Nigeria. The corporate was capable of reaching wholesalers and distributors, but limited in their ability to penetrate the traditional marketplace.

While modern trade is growing in Nigeria, the traditional marketplace still accounts for more than 80 percent of retail revenues. There are nearly 400,000 traditional outlets throughout Nigeria, including kiosks, neighbourhood stores, open markets, beer parlours, and roadside beer sellers.

Pilot Lite identified a potential 37,000 retail outlets that could be reached through micro-distribution. With a basket of seven beers and bitters, we estimated sales in these additional outlets would generate approximately \$43mn in revenues over a three-year period.

To reach this micro-market, we developed an accelerated strategy to reach the off-trade by putting a team on the ground in 10 states. We recommended a three-pronged approach to increase sales in the traditional outlets including:

- creating strong partnerships with select distributors and semi-wholesalers
- launching an on-demand sales activation team to generate business demand for the semi-wholesalers and mobile distributors
- creating a mobile distributors network of local entrepreneurs equipped with tuk tuks or motorbikes to deliver products.

By the end of year one, we initiated sales in 10,000 outlets across four states. By the end of year three, we estimate the network will grow to 25,000 outlets across 10 states.

**Client: Global producer of spirits and beers**

## Beers and Bitters

 Nigeria

 Team on ground in 10 states established route-to-market with select distributors and semi-wholesalers, a mobile distribution network and an on-demand sales activation team


 Client will be able to reach an additional 37,000 retail outlets earning sales revenues of \$43 million over a 3-year period

## Health and Hygiene Products in Rural India

For another global CPG, Pilot Lite established a NewCo to market a range of health and hygiene products to untapped customers in rural Indian villages. This line of products included biscuits, low-sugar gummy bears, soap, and a water purification sachet.


Pilot Lite built a platform for direct-to-consumer sales by training and mobilizing 500 local women to serve as wellness coaches and sell products in 50 targeted villages. By deploying this strategy over a 15-month period, Pilot Lite was able to exceed sales goals by 45 percent.


The CPG went on to scale the sales operation to 2,000 locations using the pyramid distribution business model. More than 100,000 Indian women are now trained as wellness coaches now form a 'shakti' network spanning four states across India.




**Client: Global CPG**

## Health and hygiene products

 Rural India

 Mobilized a network of 500 local women to serve as wellness coaches; exceeded sales goals by 45 percent

 Client has scaled the sales operation to 2,000 locations across 4 states using Pilot Lite model; 100,000 women now trained as wellness coaches



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Mike is co-founder and CEO of Pilot Lite, is a pioneer and international leader in venture management, with a successful track record helping corporate clients identify, de-risk, validate and launch early-stage technology, new ventures and stranded intellectual property across developed and emerging channels and markets.

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