OUR APPROACH TO MARKET OPPORTUNITY ASSESSMENT

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CANBACK CONSULTING
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A member of The Economist Group
Founded by Dr. Staffan Canback, we are an elite management consulting firm anchored in predictive analytics and market knowledge.

Canback serves clients through five practices: Strategy, M&A Due Diligence, Sources of Growth, Corporate Finance, and Organizational Performance.

We operate globally with the world’s largest companies as clients. This has taken us to 87 countries since our founding in 2004.

We also offer analytic services with the Canback Global Income Distribution Database (C-GIDD) as our cardinal product. 

Canback is a subsidiary of The Economist Group since 2015.
Agenda

Market opportunity assessment approach

Case examples
At Canback we believe that an understanding of demand must drive strategy.

**UNDERSTANDING DEMAND**

**BUSINESS QUESTION**
- How will industry products grow?
- Which are the likely winners?
- What initiatives have large companies undertaken in the industry? Timing?
- How could that break down by regions?

**OUTPUT**
- Strategic map of current and future demand for the industry
- Priority markets and areas by sustainability initiative (clean label, carbon emissions, water use reduction)

**DRIVES COMPANY STRATEGY**

1. **Align**
   - One version of the truth within the company
   - A roadmap for understand the future of the industry; where and when

2. **Prioritize**
   - Innovation priorities (new product development)
   - Capex in new or updated facilities

3. **Strategize**
   - Identify target customers, by product / geography
   - Improve pricing strategy
   - Supply chain requirements

4. **Execute**

5. **Improve**
The Canback approach combines proprietary macroeconomic data, market visits by seasoned consultants, and trusted frameworks to develop a holistic market opportunity assessment.

**Objective**
Canback applies SCP framework analysis, strategic modeling and on-the-ground market investigation to identify and size the opportunity within a market. Market visit provides consultants unique perspectives that cannot be obtained otherwise. Combined with statistical expertise and deep industry knowledge, this approach delivers comprehensive opportunity assessment for clients.

**Traditional Market Opportunity Assessment**
- **Purchase Country Data**
  - Country data:
    - Purchased from local or global providers (EIU, Canback, etc.)
    - Often only at the national level

- **Outsourced Local Researchers and Reports**
  - Outsourced local researchers and reports provide:
    - Price point collection
    - Channel and route to market breakdowns
    - Category demand forecast

- **Insulated Local Perspective**
  - Insulated perspective based on outsourced research/external reports
    - Senior consultants do not experience the market first hand
    - Sourced data not scrutinized for validity

**Canback Market Opportunity Assessment**
- **Canback and Client Data**
  - Canback are experts at consolidating relevant information, including:
    - Proprietary C-GIDD database for macro data
    - Data requested from clients

- **SCP Framework**
  - The SCP framework provides:
    - Overview of demand and supply drivers
    - Value chain analysis
    - Company performance and competitive assessment
    - Apply statistical techniques to provide demand forecasts
    - Rigorous data inspection and quality control

- **Strategic Modeling**
  - Senior consultants visit the market directly to gain a better perspective on product demand, consumer behavior, product pricing, competitive landscape and route to market
  - Best practices from global perspectives across regions can be applied to local observations

- **On-the-Ground Market Investigation**
  - Senior consultants build on SCP foundation, strategic modeling and personal on-the-ground experience to:
    - Forecast demand
    - Identify and size the opportunity
    - Evaluate possible growth plans
    - Develop commercial strategy
The SCP framework is a standard approach for understanding market dynamics. It is used by corporations and consulting firms all over the world for more than 50 years and is therefore well tested and recognized.

### Structure-Conduct-Performance Framework

<table>
<thead>
<tr>
<th><strong>Structure</strong></th>
<th><strong>Conduct</strong></th>
<th><strong>Performance</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market demand</strong></td>
<td><strong>Strategic priorities</strong></td>
<td><strong>Market performance</strong></td>
</tr>
<tr>
<td>• Category dynamics</td>
<td>• Market breadth</td>
<td>• Market growth</td>
</tr>
<tr>
<td>• Growth drivers</td>
<td>• Geographic reach</td>
<td>• Price trends</td>
</tr>
<tr>
<td>• Substitutes</td>
<td>• Vertical depth</td>
<td>• Share relative to substitutes</td>
</tr>
<tr>
<td>• Price elasticity</td>
<td></td>
<td>• Industry value and profit pools</td>
</tr>
<tr>
<td><strong>Industry supply</strong></td>
<td><strong>Commercial activities</strong></td>
<td><strong>Player performance</strong></td>
</tr>
<tr>
<td>• Level of competition</td>
<td>• Product portfolio</td>
<td>• Productivity</td>
</tr>
<tr>
<td>• Product differentiation</td>
<td>• Pricing</td>
<td>• Organizational effectiveness</td>
</tr>
<tr>
<td>• Brand power</td>
<td>• Marketing spending</td>
<td>• Growth</td>
</tr>
<tr>
<td>• Barriers to entry</td>
<td>• Route-to-market/channels</td>
<td>• Relative market shares and trends</td>
</tr>
<tr>
<td>• Efficiency</td>
<td>• New product development/innovation</td>
<td>• Profitability</td>
</tr>
<tr>
<td>• Capacity utilization</td>
<td></td>
<td>• Share of profit pool</td>
</tr>
<tr>
<td><strong>Value chain economics</strong></td>
<td><strong>Supply chain activities</strong></td>
<td><strong>Finance</strong></td>
</tr>
<tr>
<td>• Economies of scale/scope</td>
<td>• Production processes</td>
<td><strong>Financial resources</strong></td>
</tr>
<tr>
<td>• Supplier economics</td>
<td>• Procurement</td>
<td>• Capital spending priorities</td>
</tr>
<tr>
<td>• Marketing effectiveness</td>
<td>• R&amp;D priorities</td>
<td></td>
</tr>
</tbody>
</table>
The relationship between market development and income per capita can result in s-curves, which are useful to project markets and identify inflection points for product demand.

**DETERMINING “TIPPING POINTS”**

Combining macroeconomic variables with consumption data enables you to determine specific take-off points for consumption within a country. Understanding how the “take-off” threshold differs by category or sub-category can guide where to make timely investments.

**CONSUMPTION AND INCOME PER CAPITA**

**Stage I** (emerging)

**Stage II** (high-growth)

**Stage III** (plateau)

**CATEGORY “TAKE-OFF” INCOME LEVELS**

<table>
<thead>
<tr>
<th>Category</th>
<th>Product A</th>
<th>Product B</th>
<th>Product C</th>
<th>Product D</th>
<th>Product E</th>
<th>Product F</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPP$</td>
<td>3,300</td>
<td>6,000</td>
<td>13,950</td>
<td>15,750</td>
<td>21,300</td>
<td>22,500</td>
</tr>
<tr>
<td>Income per capita (PPP$)</td>
<td>10 000</td>
<td>20 000</td>
<td>40 000</td>
<td>100 000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Canback combines data from external sources with its own macroeconomic and categorical databases in all projects to provide scientifically proven and actionable strategic recommendation.

**CANBACK METHODOLOGY**

**EXTERNAL DATA**
- Client data
- 3rd party data (e.g. Nielsen, Statistics office)
- Industry reports

**INTERNAL DATA**
- C-GIDD (proprietary macro-economic database)
- EIU reports (extensive country and industry reports)
- Research findings (e.g., interviews, in-market observations)

**Data analysis and modeling**

**Scientifically proven and actionable strategic recommendation**

We are a trusted partner in management consulting and corporate strategy development due to our:

1. Predictive analytics capabilities
2. Proprietary methods and databases

Canback prefers fundamental analysis of primary data over conceptual frameworks, achieving greater accuracy in problem solving at a lower cost.

Unlike a data research firm, Canback goes beyond the simple data analytics and delivers managerially relevant strategic recommendations supported by our rigorous quantitative expertise.
Below is an illustration of the different tiers of demand. A robust demand model should integrate variables from several knowledge domains. Our approach for doing this is the so-called Golder-Tellis model, which we have used successfully with a number of clients.

### Levels of Analysis to Explain Demand

1. **Demand as a function of income**
2. **Demand as a function of income and price**
3. **Demand as a function of income, price and other exogenous variables**

### Golder-Tellis Model Framework

- **C-GIDD**
  - Economic and demographic projections
    - How many people can afford the product?
    - Where?
    - When?

- **Canback insights**
  - Industry and trade dynamics
    - What is the availability for the product?
    - What is the competitive outlook?

- **Client data, insights**
  - Consumer insights
    - Who is the consumer?
    - What does he/she want?
    - Why?

### Golder-Tellis Model

- Where is the market heading?
- What drives demand?
- Which levers should be pulled?
On-the-ground investigation gives Canback consultants full confidence in our recommendation and the ability to unearth otherwise missing data

At Canback, while we pride ourselves in being able to deliver high quality, analytically driven recommendations for our clients, consultants are valued for our abilities beyond data analytics

Our experience in emerging markets, combined with our consultants’ ability to conduct on-the-ground investigation gives us full confidence in our recommendations and the ability to unearth otherwise missing data

Over the past 10 years, we have walked the ground in nearly 80 countries. We always use experienced in-house consultants together with local partners to get the most out of market visit
Market visits provide concrete views of demand, consumers, outlets, pricing, and consumption behavior in countries and markets where there is little hard data available.

To ensure success, we rely on a detailed market visit protocol that has been tested and refined over the past ten years. The goal of a trade visit is to gain as much qualitative and quantitative insight into a market as possible. The data taken from the visit will equip consultants to accurately understand pricing, make assumptions for financial and volume models, and more accurately understand consumer behavior.

**MARKET VISITS**

- **Meet with key stakeholders**
  - Meet with local partners, government officials, and competitors
  - Use meeting takeaways to refine model and long-term strategy

- **Determine margins across value chain**
  - Quantify margins for various product channels
  - Margins used in financial and demand modeling as well as commercial strategy formation

- **Collect price points**
  - Collect price points by channel and product or brand
  - Measure price variation between channels and discover realistic prices facing consumers

- **Understand discounts and promotions**
  - Determine how trade discounts and promotions impact retail prices and producer margins
  - Evaluate effective promotional techniques

- **Examine RTM and delivery standards**
  - Assess RTM strengths and weaknesses
  - Evaluate product availability and identify strong distribution partners

- **Profile competitors**
  - Determine competitive landscape of international and local players
  - Identify and quantify competitive trends
Before heading to the market, Canback consultants would prepare

### Planning

**Itinerary:** plan trip duration and destination, get required visa or other documentation

**Team:** determine size of consultant team and client team, split into one or multiple sub-teams, hire local researchers / translators / drivers when necessary

**Objective:** set trip objective, e.g., is the market visit focus on consumer, pricing, distribution, marketing, or other aspects of business?

**Places to visit:** list targeted outlet types, distribution centers, production facilities, and etc. according to objective

**Interviews:** schedule as many as interviews beforehand, prepare interview guide, list targeted interviewees

**Key information:** identify key pieces of information to collect

### Client Discussion Focus

<table>
<thead>
<tr>
<th>CLIENT</th>
<th>DISCUSSION FOCUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>General manager</td>
<td>All in-country business aspects</td>
</tr>
<tr>
<td>Commercial director</td>
<td>Commercial – Africa</td>
</tr>
<tr>
<td>Production director</td>
<td>Production and distribution</td>
</tr>
<tr>
<td>Country manager</td>
<td>Implementation, in-country knowledge</td>
</tr>
<tr>
<td>Operation director</td>
<td>Trade Express</td>
</tr>
<tr>
<td>Project sponsor</td>
<td>Project focus</td>
</tr>
<tr>
<td>Legal director</td>
<td>Excise and government restrictions</td>
</tr>
</tbody>
</table>

### Client Distribution Partners Discussion Focus

<table>
<thead>
<tr>
<th>CLIENT DISTRIBUTION PARTNERS</th>
<th>DISCUSSION FOCUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key distribution partner MD</td>
<td>State of business, future growth drivers</td>
</tr>
<tr>
<td>Regional distribution manager</td>
<td>State of business, competition in south</td>
</tr>
<tr>
<td>Other distributor MD</td>
<td>State of business, beverages in country</td>
</tr>
</tbody>
</table>

### In-Market Discussion Focus

<table>
<thead>
<tr>
<th>IN-MARKET</th>
<th>DISCUSSION FOCUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributor</td>
<td>Margins and sub-distributor benchmarks</td>
</tr>
<tr>
<td>Handling sales manager</td>
<td>Large scale distributor benchmarks</td>
</tr>
<tr>
<td>Informal trade interviews</td>
<td>Volume sources, margins and pricing</td>
</tr>
<tr>
<td>Liquor Store interviews</td>
<td>Volume sources, margins and pricing</td>
</tr>
<tr>
<td>Wholesaler interviews</td>
<td>Volume sources, margins and pricing</td>
</tr>
</tbody>
</table>

Before arriving at the market, the team has scheduled more than 15 interviews with industry personnel
While a plan is made beforehand, Canback consultants are flexible and would adjust itinerary when deemed appropriate

- During a China market visit trip, the team decided to add an additional sub-team to visit southern China based on findings during the first few days
- Consultants quickly adjusted existing plan and re-route the rest of the trip
- In total, Canback consultants visited 10 cities in 10 days and identified key success factors for the client to act on
- The flexibility of the team adds huge value to the final recommendation and is greatly appreciated by the client
Experienced consultants know how to pay attention to important details. Observations on consumer behavior, outlets, products, and distributions often lead to key strategic recommendations.

**CONSUMER BEHAVIOR OBSERVATIONS**

- Men choose D or E when drinking category X
- Women engage in less mid-day consumption than men
- Younger males viewed F and G as particularly feminine and would only consume in rare occasions

**OUTLET COMPOSITION**

- Refrigeration is key to consumption as cold temperature has a positive correlation with higher sales.
- Prices and promotions are painted on the walls. The compliance rate is high in MP.
- Taverns and counter serves offer a significant range of spirits competing directly with mainstream beer.

**Future forward males are introduced to brand A**

Future forward males consume mainstream brands like brand A when relaxing with friends and watching sports, but will consume premium brand B or C at parties with women or for an extra kick.

**Packaged local beverage**

Packaged local alcohol is consumed mostly by older males from the townships as an affordable alternative to beer. At times, it can be used as a meal substitute. It is found in cartons and plastic jugs. There is approximately 3.5 Mhl in the market and an additional 7 Mhl that is not packaged.
Depending on the focus of a project, consultants prioritize observations to make during market visit. Below are examples of observations made on marketing and distribution.

**MARKETING AND PROMOTION**

- Investigate how competitors invest in different kinds of marketing (e.g. ATL vs. BTL) to determine campaign effectiveness.
- Observe brand / product displays in outlets to find successful marketing trends and tactics.
- Interviews with store owners and outlet managers to learn about exclusivity deals and promotion packages (incentives) to learn about marketing conduct.

**DISTRIBUTOR ASSESSMENT**

- Visit to regional distributor’s hub and storage center unearth otherwise unavailable details.
- Assessment of distributor’s logistics capability.
- Market visit forms better understanding on local wholesalers’ capability.
- First-hand observation confirms focus area for specific distributor.
Information aggregation starts on day one of market visit with the help of in-office consultants.

**MARKETING AND PROMOTION**

- While some consultants are conducting market visit, home-staying team aggregates information as they are sent back from on-the-ground consultant.
- This includes extracting price information from photos or audio files, converting interview recordings to summaries, organizing photos, calculating share of shelf space, and much more.
- Consultants return from market visit would also review all materials and turn them into business relevant cases.

The price data combined with industry data, shelf-space analysis, and expert interviews helps to form a comprehensive view on the market. Market visit fills the data gap on a few super premium and premium brands which is not available in industry data.

Price dataset consolidated from a 10-day market visit consists of 350 on-trade and 1400 off-trade price points.
Below is an example on how detailed informal alcohol price information identified gaps in the price ladder and hence led to valuable strategy recommendations:

- There is opportunity for Brand A to serve as a catalyst for wine category adoption among low-end consumers.
- However, this consumption set is extremely sensitive to price, and any reduction in informal market activity will likely see a commensurate drop-off in volumes.

All values and names have been adjusted to protect client confidentiality.
This is another example on how market visit combined with consumer survey identified different consumer segments based on shopper values.

We were able to accurately identify clear trends and differentiate consumer segments based on quantifiable survey data collected on-site in Nairobi.
We have conducted opportunity assessment, strategic demand modeling and SCP projects in over 50 countries around the world. Below are some examples of project work:

**ASIA REGIONAL SCAN, 2013**
- **Client:** Global company
- **Topic:** Market sizing
- **Project:** Determine the size of the market across various geographies and how to maximize the client’s share

**JAPAN & AUSTRALIA, 2014**
- **Client:** Global company
- **Topic:** Potential acquisition
- **Project:** Conducted a deep dive into the industry and predictive revenue opportunity

**UNITED STATES, 2015**
- **Client:** US company
- **Topic:** Industry demand model and drivers
- **Project:** Built a continuous demand model for multiple categories at national & regional levels identifying key impact of key drivers like health & wellness

**8 EUROPEAN NATIONS, 2015**
- **Client:** Global company
- **Topic:** Identifying growth opportunities
- **Project:** Provide market landscape and develop a strategy to capitalize on sustainable growth opportunities in Europe based on emerging trends
Market opportunity assessment approach

Case examples

1. Identifying store opening opportunities in different cities
2. Assess market opportunity in China
City-level case study: identifying store opening opportunities in different cities

**OBJECTIVE**

A large clothing, footwear and textiles (CFT) retail company seeks to find the best opportunities for store openings across 8 countries in sub-Saharan Africa, and prioritize/sequence the rollout at the city level.

**CHALLENGE**

City level data is not available. There is no prior study on consumer segments in those markets.

**RESOURCES**

**C-GIDD & Predictive Analytics**

- Identify a few candidate countries using a combination of C-GIDD and local statistical agency data
- Determine market size and project market growth in candidate country
- Identify different consumer segments through conducting market visits and surveying opportunity base
- Formulate recommendation based on results of market evaluation and consumer research

**STEPS OF THE PROJECT**

CASE STUDY: IDENTIFYING STORE OPENING OPPORTUNITIES

City-level case study: identifying store opening opportunities in different cities
Leveraging income distribution data from C-GIDD, we identified the most attractive markets in Africa and broke down market attractiveness at the sub-national level.

### CASE STUDY: 1. IDENTIFYING STORE OPENING OPPORTUNITIES

<table>
<thead>
<tr>
<th>POPULATION</th>
<th>ABCD SEL POPULATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>50.5 M</td>
</tr>
<tr>
<td>Swaziland</td>
<td>1.2 M</td>
</tr>
<tr>
<td>Botswana</td>
<td>2.0 M</td>
</tr>
<tr>
<td>Namibia</td>
<td>2.3 M</td>
</tr>
<tr>
<td>Lesotho</td>
<td>2.2 M</td>
</tr>
<tr>
<td>Ghana</td>
<td>25.0 M</td>
</tr>
<tr>
<td>Angola</td>
<td>19.6 M</td>
</tr>
<tr>
<td>Zambia</td>
<td>13.5 M</td>
</tr>
<tr>
<td><strong>Kenya</strong></td>
<td><strong>41.6 M</strong></td>
</tr>
<tr>
<td>Uganda</td>
<td>34.5 M</td>
</tr>
<tr>
<td>Mozambique</td>
<td>23.9 M</td>
</tr>
<tr>
<td>Nigeria</td>
<td>162.2 M</td>
</tr>
<tr>
<td>Tanzania</td>
<td>46.2 M</td>
</tr>
</tbody>
</table>

After identifying Kenya as an ideal candidate country, we investigated down to the city level and found that potential spend sits disproportionately in Nairobi and Mombasa.

### REGIONAL BREAKDOWN 2011

- **Nairobi** 9%
- **Mombasa** 3%
- **Other urban** 11%
- **Rural** 77%

<table>
<thead>
<tr>
<th>City / Town / Unit</th>
<th>Population '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nairobi</td>
<td>3,674</td>
</tr>
<tr>
<td>Mombasa</td>
<td>1,041</td>
</tr>
<tr>
<td>Nakuru</td>
<td>306</td>
</tr>
<tr>
<td>Eldoret</td>
<td>274</td>
</tr>
<tr>
<td>Ruiru</td>
<td>262</td>
</tr>
<tr>
<td>Kisumu</td>
<td>256</td>
</tr>
<tr>
<td>Kikuyu</td>
<td>198</td>
</tr>
<tr>
<td>Thika</td>
<td>150</td>
</tr>
<tr>
<td>Garissa</td>
<td>126</td>
</tr>
<tr>
<td>Mavoko</td>
<td>125</td>
</tr>
<tr>
<td>Ngong</td>
<td>119</td>
</tr>
<tr>
<td>Karuri</td>
<td>114</td>
</tr>
<tr>
<td>Other urban</td>
<td>2,723</td>
</tr>
<tr>
<td>Rural</td>
<td>32,237</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41,609</strong></td>
</tr>
</tbody>
</table>
Combining C-GIDD with consumption data from local statistics offices, we determined Nairobi’s potential market size and predicted growth rate.

CASE STUDY: 1. IDENTIFYING STORE OPENING OPPORTUNITIES

COMBINING DATA SOURCES

- C-GIDD income distribution data
- Economic data (local stats office)
- Products and services data (client)

POTENTIAL FORMAL SPEND
2011 M ZAR

<table>
<thead>
<tr>
<th>Country</th>
<th>POTENTIAL FORMAL SPEND</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>4,504</td>
<td>20%</td>
</tr>
<tr>
<td>South Africa</td>
<td>31,811</td>
<td>70%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>8,140</td>
<td>8%</td>
</tr>
<tr>
<td>Angola</td>
<td>3,735</td>
<td>15%</td>
</tr>
<tr>
<td>Ghana</td>
<td>6,940</td>
<td>32%</td>
</tr>
<tr>
<td>Nairobi</td>
<td>1,349</td>
<td>39%</td>
</tr>
<tr>
<td>Mombasa</td>
<td>554</td>
<td>52%</td>
</tr>
<tr>
<td>Lagos</td>
<td>1,850</td>
<td>12%</td>
</tr>
<tr>
<td>Luanda</td>
<td>2,173</td>
<td>24%</td>
</tr>
<tr>
<td>Accra</td>
<td>2,045</td>
<td>56%</td>
</tr>
<tr>
<td>Lusaka</td>
<td>821</td>
<td>55%</td>
</tr>
<tr>
<td>Maputo</td>
<td>284</td>
<td>26%</td>
</tr>
</tbody>
</table>

A gap between potential spend and actual spend was identified. Growth of formal spend in Nairobi was projected, assuming action is taken to close the gap (e.g., conversion of informal to formal shopping).

MODELED FORMAL SPEND IN NAIROBI
2011 M ZAR (constant)

- 537 (2006)
- 746 (2011)
- 1,252 (2016)

Growth of formal spend in Nairobi was projected, assuming action is taken to close the gap (e.g., conversion of informal to formal shopping).

All values and names have been adjusted to protect client confidentiality.
We then conducted on-the-ground market visits and consumer surveys in Nairobi, and identified different consumer segments based on shopper values.

**CASE STUDY: 1. IDENTIFYING STORE OPENING OPPORTUNITIES**

**MARKET VISITS & CONSUMER RESEARCH**

Our analysts traveled to the countries of interest and cooperated with local survey companies to conduct research on different outlets as well as consumer behavior and perception.

**NAIROBI POPULATION BY CONSUMER TYPE**

- **Formal (SEL ABCD)**
  - 2011: 3,673
  - 695
- **Informal (SEL E)**
  - 2,978

**CONSUMER SEGMENT AS % OF POPULACE**

- **All Style**
  - 10%
- **Elites**
  - 7%
- **Family Focus**
  - 6%
- **Aspiring Fashionista**
  - 24%
- **Blue Collar**
  - 25%
- **Bargain Hunter**
  - 28%

**SHOPPER VALUES**

- **Intl brands**: 0.7
- **Clean & safe**: 0.2

We were able to accurately identify clear trends and differentiate consumer segments based on quantifiable survey data collected on-site in Nairobi.

All values and names have been adjusted to protect client confidentiality.
Pulling everything together, we end up with tailored recommendations and “size of the prize”

CASE STUDY: 1. IDENTIFYING STORE OPENING OPPORTUNITIES

Two different outlet formats were considered for store openings in Nairobi

FINDINGS

- Kenya is a large market, and Nairobi is large and relatively affluent city
- The retail sector is formalizing quickly in Nairobi, there is opportunity to stake out a position in the future of the market
- CBD can formalize a portion of the “informal” markets and should be the lead format for entering the Kenyan market
- Malls can enter into the fast-growing premium segment

RECOMMENDATIONS

1. CBD: Open 12 stores in Nairobi, 3-4 in Mombasa
   - The smaller CBD format is compatible with the largest consumer segments
   - Smaller footprint and more locations
   - Consumer income and living standard levels in Nairobi fit better with the CBD format

2. Mall: Open 2 stores in Nairobi
   - The larger format will work in the higher ends segments where there is a lower population base but a higher spend
   - International brands will be a strength
   - This format may be restricted by slow pace of shopping center development

All values and names have been adjusted to protect client confidentiality
Market opportunity assessment approach

Case examples

1. Identifying store opening opportunities in different cities

2. Assess market opportunity in China
City-level case study: identifying store opening opportunities in different cities

**CASE STUDY: 2. ASSESS MARKET OPPORTUNITY IN CHINA**

**OBJECTIVE**
A global alcoholic beverage company seeks to assess their opportunity in China and identify key cities to focus on.

**CHALLENGE**
Data for competing brands is not comprehensive. Chinese consumers have different characteristics in different regions and some regions may not have the appetite that fits client’s profile.

**RESOURCES**

**C-GIDD & Predictive Analytics**
Create alcohol market high-level overview at city level using industry data, C-GIDD, EIU Access China data, and statistics offices.

**Experience & People**
Identify a few candidate cities and model city level demand using statistical methodology.

**STEPS OF THE PROJECT**

- Quantify key competitor brands volume and performance through conducting market visits.
- Formulate recommendation based on results of market evaluation.
Based on client’s focus on premium segment, we first identified key geography areas where premium consuming class concentrate.

### CASE STUDY: 2. ASSESS MARKET OPPORTUNITY IN CHINA

#### TOP PREFECTURES BY URBAN PREMIUM CONSUMING CLASS* POPULATION

- **Millions, 2014**

<table>
<thead>
<tr>
<th>City</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shanghai</td>
<td>8.8</td>
</tr>
<tr>
<td>Beijing</td>
<td>5.9</td>
</tr>
<tr>
<td>Shenzhen</td>
<td>4.9</td>
</tr>
<tr>
<td>Guangzhou</td>
<td>4.4</td>
</tr>
<tr>
<td>Dongguan</td>
<td>3.1</td>
</tr>
<tr>
<td>Tianjin</td>
<td>2.8</td>
</tr>
<tr>
<td>Suzhou</td>
<td>2.7</td>
</tr>
<tr>
<td>Foshan</td>
<td>2.3</td>
</tr>
<tr>
<td>Nanjing</td>
<td>1.8</td>
</tr>
<tr>
<td>Chongqing</td>
<td>1.7</td>
</tr>
<tr>
<td>Hangzhou</td>
<td>1.5</td>
</tr>
<tr>
<td>Wuxi</td>
<td>1.3</td>
</tr>
<tr>
<td>Wenzhou</td>
<td>1.2</td>
</tr>
<tr>
<td>Ningbo</td>
<td>1.2</td>
</tr>
<tr>
<td>Shenyang</td>
<td>1.2</td>
</tr>
<tr>
<td>Qingdao</td>
<td>1.2</td>
</tr>
<tr>
<td>Chengdu</td>
<td>1.2</td>
</tr>
<tr>
<td>Wuhan</td>
<td>1.1</td>
</tr>
<tr>
<td>Harbin</td>
<td>1.0</td>
</tr>
<tr>
<td>Dalian</td>
<td>1.0</td>
</tr>
</tbody>
</table>

The top PLCs (by urban premium consuming class size) make up nearly 50% of the country’s total premium consuming class.

#### CHINA’S PREMIUM CONSUMING CLASS

- China’s premium consuming class* population of 89 million is projected to grow 11% per year (CAGR) for the next decade.

- Despite recent slowdowns in real GDP growth, consumer expenditure seems to remain high (nominal retail sales growth at 10.9% YOY in September).

- Consumer spending expansion has been driven by strong spending growth on communication appliances, household appliances and medicines.

- The Economist Intelligence Unit predicts that “Rising disposable income, urbanization and ongoing reform of the hukou (household-registration) system, which will assist retailers in identifying their target markets, will help to boost consumption.”
Combining macroeconomic data with available consumption data, we identified key markets where consumption profile is promising.

CASE STUDY: 2. ASSESS MARKET OPPORTUNITY IN CHINA
Observations on shelf space, consumption rate, and expert interviews together with some brand data allows us to estimate key competitors’ volume at the city level.

### Case Study: 2. Assess Market Opportunity in China

#### On-the-Ground Investigation

- Thousands of photos taken during market visit provides basis for our estimate and judgement on brand’s volume.
- Observations on consumption pattern informs ongoing trends.
- Interviews with consumer provides first-hand perspectives on market trends.

#### Belly of the Market

<table>
<thead>
<tr>
<th>Price Index to Industry</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Super Premium &gt;180</td>
<td>0.5%</td>
</tr>
<tr>
<td>Premium 130-180</td>
<td>5.9%</td>
</tr>
<tr>
<td>Mainstream 80-130</td>
<td>61.4%</td>
</tr>
<tr>
<td>Economy &lt;80</td>
<td>32.2%</td>
</tr>
<tr>
<td>Other Premium</td>
<td></td>
</tr>
<tr>
<td>Other Super Premium</td>
<td></td>
</tr>
</tbody>
</table>

All values and names have been adjusted to protect client confidentiality.
Finally, we estimated volume potential by key cities and recommended market entry strategy based on findings.

CASE STUDY: 2. ASSESS MARKET OPPORTUNITY IN CHINA

VOLUME POOL BY KEY CITY
2014-2024

<table>
<thead>
<tr>
<th>PRIMARY SOURCE</th>
<th>2014</th>
<th>2019</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>City A</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>City B</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>City C</td>
<td>8%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>City D</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>City E</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Rest of China</td>
<td>68%</td>
<td>69%</td>
<td>71%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SECONDARY SOURCE</th>
<th>2014</th>
<th>2019</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>City A</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>City B</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>City C</td>
<td>4%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>City D</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>City E</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Rest of China</td>
<td>84%</td>
<td>85%</td>
<td>86%</td>
</tr>
</tbody>
</table>

VOLUME SOURCE    CAGR '14-24

| City A         | 14%  |
| City B         | 13%  |
| City C         | 11%  |
| City D         | 12%  |
| City E         | 14%  |

Key cities 13%
Total China 14%

<table>
<thead>
<tr>
<th>PRIMARY SOURCE</th>
<th>2014</th>
<th>2019</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>City A</td>
<td>7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City B</td>
<td>6%</td>
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<tr>
<td>City C</td>
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</tr>
<tr>
<td>City D</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City E</td>
<td>7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rest of China</td>
<td>84%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key cities 6%
Total China 7%

<table>
<thead>
<tr>
<th>SECONDARY SOURCE</th>
<th>2014</th>
<th>2019</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>City A</td>
<td>8%</td>
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</tr>
<tr>
<td>City C</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City D</td>
<td>6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City E</td>
<td>8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rest of China</td>
<td>84%</td>
<td></td>
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</tbody>
</table>

Key cities 7%
Total China 8%

All values and names have been adjusted to protect client confidentiality.
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