

# GENDER-SMART BUSINESS SOLUTIONS

## CASE STUDY: WOMEN ENTREPRENEURS FIND BUSINESS OPPORTUNITIES IN NIGERIA'S FAST- MOVING CONSUMER GOODS SECTOR



**IFC**

International  
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WORLD BANK GROUP

*Creating Markets, Creating Opportunities*



# CASE STUDY: WOMEN ENTREPRENEURS FIND BUSINESS OPPORTUNITIES IN NIGERIA'S FAST-MOVING CONSUMER GOODS SECTOR

## Women Entrepreneurs, Fast-Moving Consumer Goods, and the Nigerian Economy

With one of the youngest populations globally,<sup>1</sup> a growing middle class, and increasing urbanization, Nigeria is the largest consumer market in Africa, worth roughly \$370 billion.<sup>2</sup> The fast-moving consumer goods (FMCG)<sup>3</sup> sector is the third largest contributor to the Nigerian economy, estimated at 16 percent of gross domestic product.<sup>4</sup> The sector depends on micro, small, and medium-sized enterprises (MSMEs), which constitute more than 96 percent of all businesses in Nigeria.<sup>5</sup> MSMEs play a critical role in the FMCG supply chain as distributors, ensuring that products reach Nigeria's growing consumer market.

Women-owned and led businesses represent 13.2 percent of these MSMEs.<sup>6</sup> In the FMCG sector, female distributors are seen as vital to sales, often reaching unserved or underserved last-mile consumer markets.<sup>7</sup> Yet, women entrepreneurs face many challenges that restrict the growth potential of their businesses, including limited access to finance, poor infrastructure, limited access to and use of technology, and smaller business networks. Studies demonstrate that if Nigeria was to reduce gender inequality, the economy could grow on average by as much as 1.25 percentage points annually.<sup>8</sup>

In response to this opportunity and with the support of the Women Entrepreneurs Finance Initiative (We-Fi), International Finance Corporation (IFC) partnered with Daraju Industries, Ltd. (Daraju) to research how the FMCG sector in Nigeria can support women entrepreneurs and capture untapped growth opportunities.

The **Women Entrepreneurs Finance Initiative** (We-Fi) is a collaborative partnership of 14 governments, eight multi-lateral development banks, and other public and private stakeholders. Housed in the World Bank Group, We-Fi seeks to unlock billions of dollars in financing to tackle the full range of barriers facing women entrepreneurs, increasing access to finance, markets, technology, and mentoring, while strengthening policy and legal and regulatory frameworks. For more information, visit [www.we-fi.org](http://www.we-fi.org).



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## Partnering for Business and Development Impact

Daraju, meaning “beautiful” in Yoruba dialect, is a fast-growing FMCG brand in the Nigerian market.<sup>9</sup> The company manufactures and distributes personal care and household products to meet the needs of low- and middle-income consumers, a mass-market segment that covers more than 70 percent of Nigeria’s population.<sup>10</sup> Daraju distributes its products across the country through more than 1,000 distributors, one third of whom are women entrepreneurs.

Daraju was keen to deepen its understanding of distributors’ needs (both male and female) and how meeting these needs affects their sales performance. Toward this end, IFC and Daraju, with guidance from the World Bank Development Research Group, undertook the following research activities:

- Conducted desk research on the FMCG segment in Nigeria.
- Reviewed distributor data, including selection criteria, demographics, locations, and sales performance.
- Designed survey tools to assess distributor needs and gender gaps and trained 20 Daraju staff across the country to administer surveys.
- Surveyed 250 male and female distributors on factors affecting their performance, including access to finance, logistics, technology, and networks.
- Analyzed survey data to identify statistically significant gender differences and how they impact distributor sales performance.
- Interviewed Daraju senior management, operational staff, sales executives, and distributors to

obtain qualitative insights to supplement survey data.

### Distributors and Gender Differences

Distributors buy Daraju products and sell them to their own networks of retailers and street vendors. Distributors are generally nonexclusive, that is, they also buy and distribute competing products from other manufacturers. Daraju selects distributors based on their market reputation and financial capability, which they determine by assessing inventory, volume of bank transactions, and property ownership documents. Distributors are located throughout the country, with two thirds in and around Lagos and the Northern region. Their businesses are nimble, serve their local areas, and largely depend on internal sources of capital to finance their growth. As small businesses, Daraju distributors can quickly adapt to market contexts but are also highly

impacted by infrastructure and access to finance challenges.

Female distributors who participated in the survey have on average fewer years in operation, less experience as a distributor, and fewer employees than their male counterparts. They are older, more educated, have fewer family dependents, and spend more time on their businesses. Sales revenues for female distributors is on par with their male counterparts and even higher in some regions. For distributors who have access to loans, sales revenues tend to be higher than for those who do not have access to finance.

### Business Priorities and Barriers

Overall, distributors identified six business priorities as the main barriers to their business growth: access to finance, inadequate infrastructure, access to and use of technology, smaller networks, manpower, and business management skills.

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With increased access to finance, logistics and equal opportunities, women distributors are encouraged to be more innovative and effective in reaching new market segments. **Women are the bedrock of society.** Increasing the capacity of women transcends the individual and develops a stronger and healthier community. At Daraju, both male and female distributors are vital to our growth, so investing in their needs is a step forward not only for us but for the entire sector.

*-Mr. Peeyush Garg, Chairman, Daraju Industries Ltd.*



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■ **Access to Finance** Both male and female distributors report access to finance as the largest barrier to business growth. Overall, less than 30 percent of distributors have access to finance. Female distributors are even more constrained, with only 22 percent reporting access to finance versus 34 percent of male distributors. Nationally, only 5 percent of the population has access to formal finance, and less than 15 percent of MSMEs have successfully obtained a loan from a financial institution. Female distributors surveyed have better access to finance in the form of loans from a financial institution than the national average but financing still remains a challenge. Obstacles include lack of collateral, lack of financial products tailored to MSMEs' needs, and high interest rates from commercial banks. Such obstacles often lead distributors to pursue financing from informal sources such as their spouses

or family members, or, alternatively, cooperatives, churches, and microfinance associations. When female distributors do gain access to finance, it is often not enough and comes with high interest rates for working capital. As a result, few female distributors have the resources to withstand business shocks or invest in critical operations, such as inventory, vehicles for transport, and storage facilities. The female distributors that do gain access to a loan demonstrate better sales performance. Female distributors that accessed credit had twenty percent higher sales in 2017, and twenty six percent higher sales in 2018. This positive correlation between sales and access to finance presents an opportunity to boost distributor and FMCG company performance.

■ **Infrastructure** Both male and female distributors highlight infrastructure challenges, with access

to transportation cited more often by female distributors as a major obstacle to business growth. Rail and road networks are inadequate for Nigeria's size and population, and the electricity infrastructure experiences frequent outages. Distributors are forced to use expensive energy and transportation alternatives to move products to consumers across the country, and to many places not connected to roads. Daraju distributors report needing greater access to vehicles and storage facilities to save time, reduce expenses, and increase sales:

- *Vehicles for transport:* With access to their own vehicles, distributors gain flexibility in both picking up inventory and dropping off goods to customers in remote, rural, and hard-to-reach markets
- *Storage and warehouse facilities:* With greater access to storage facilities, distributors can hold more inventory in stock and in closer proximity to consumers, and thus meet their demands quicker.

■ **Access to and Use of Technology** Limited access and underutilization of mobile phones and computers to conduct business transactions is another significant barrier. Overall, only 19 percent of distributors surveyed use a computer for business transactions and 11 percent use a mobile phone to conduct financial transactions.<sup>13</sup> Female distributors' access to and use of technology is even lower than male distributors:

- *Mobile phone access and use:* Most Daraju distributors have access to a mobile phone and more than 70 percent report having access to a smartphone, but only 10 percent of female distributors use mobile banking technology versus 13 percent of male distributors. Despite high and rising mobile penetration in Nigeria,<sup>14</sup>

low literacy rates, poor Internet connectivity, unsecure data, and lack of awareness result in underutilization of mobile technology, especially among women.<sup>15</sup> Mobile technology can save distributors time and money on business transactions including basic payments or purchases, and can help with accessing to credit, mortgages and insurance.

- *Access to and use of computers:* Only 16 percent of the female distributors surveyed use computers versus 22 percent of male distributors, either their own or through their spouse, children, or friends. Of these, only 11 percent of female distributors own their own computer compared to 26 percent of male distributors. Female distributors may use computers for business management (bookkeeping, inventory management, customer sales). Distributors cited lack of access, lack of awareness of the potential for computers to support business processes (accounting, inventory management, demand planning, sales, and marketing), and lack of computer skills, combined with the high cost of computers, poor connectivity, and frequent power outages as constraints for the low use of computers.

■ **Business Networks** Female distributors' access to networks and information is more limited than that of male distributors, with only 13% of the female distributors belonging to a network compared to 32% of male distributors.<sup>16</sup> Women have limited awareness of what business networks exist and are available to join, doubt the usefulness of existing networks, and experience sociocultural barriers to joining networks. Instead, women seek business advice from informal sources, such as their spouses, family members, and church members, or address challenges on their own. In comparison, men belong to both formal and informal networks with other business owners, suppliers, and customers. Expanding women's access to networks can address business priorities expressed by distributors in the survey, such as access to funding, and can boost women's confidence; provide vital business exposure, support, and advice; and lead to positive impacts on business performance.<sup>17</sup>

■ **Manpower** On average, male distributors had 50 percent more employees than female distributors.<sup>18</sup> Female distributors cited limited access to finance to cover additional labor costs as the reason for having fewer employees. They also cited the overall market challenge of finding

qualified individuals that demonstrate skills required of successful sales executives such as creative thinking, problem solving, and communications. Limited manpower impacts business growth, and without the support of trained sales staff, women's ability to be innovative, increase outreach to underserved areas, and expand their customer base is constrained.

■ **Business Management Skills** All distributors cited business management skills, especially around basic accounting, as a challenge. More than 80 percent of distributors said they keep manual records of business transactions (inventory, sales, expenses, revenues, profits).<sup>19</sup> This business challenge was even greater for female distributors: More than 90 percent reported doing manual bookkeeping versus 76 percent of their male counterparts. Female distributors also highlighted the need for training on core business skills such as accounting, technologies for business transactions, financial management, inventory management, customer acquisition, sales and marketing, and product training, as well as legal and regulatory requirements for MSMEs.

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Logistics is the second biggest challenge after finance. I could sell more products if I could deliver more with my own vehicle.

- Female distributor, Southwest region, Nigeria

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## Gender-Smart Benefits for the FMCG Sector

Despite these six business barriers, companies in emerging markets that rely on distributors to sell their products and services consistently find that supporting the growth of female distributors positively impacts their bottom line.<sup>20</sup> In India, for example, a solar energy company operating in rural communities increased its sales by 30 percent and expanded the market for solar lighting products after developing a network of female sales agents to target women customers.<sup>21</sup> In the Democratic Republic of the Congo, a financial institution recruited women



as agents to expand banking services for low-income customers. Although women made up only 27 percent of the institution's agents, they achieved 12 percent more transactions and 16 percent higher net profit than the male sales agents.<sup>22</sup>

In Nigeria, female distributors also demonstrate business benefits for Daraju by reaching more women customers. On average, female distributors sold 30 percent more to women consumers than male distributors.<sup>23</sup> Women's buying power and influence is on the rise in Africa as more women become financially independent and are increasingly responsible for household decisions. Women also have more money to spend on personal and household hygiene products.<sup>24</sup> Even when women are not making the actual transactions, they influence purchase decisions as the primary caregivers of

children and the elderly and as managers of the household.<sup>25</sup> Additionally, female populations in rural and remote markets, often at the base of the pyramid, need better access to FMCG products. Specifically targeting women consumers through female distributors can be a key driver of sales performance and growth. Examples from Daraju include:

- **Creating an innovative strategy to reach new markets:** A female distributor recruited, trained, and provided goods on credit to other local women entrepreneurs in several villages, creating her own mini-distribution network to expand geographic reach and increase her sales volume.
- **Adding sales agents to reach new customers:** Many female distributors recruit local market

women, called onigbanjo, who already have established trusted relationships with consumers. By bringing onigbanjo on board to go from location to location advertising and selling Daraju products, female distributors successfully create an additional retail channel to capture more consumers in hard-to-reach locations and boost their sales volume.

## Six Ways to Unlock the Potential of Female Entrepreneurs

Evidence from Daraju and other companies in emerging markets demonstrates that investing in female distributors can open new markets, boost sales and growth, and improve profitability. Stakeholders in the FMCG sector, such as financial institutions and capacity building and business support service providers, can unlock the potential of women entrepreneurs through six measures:

- Increase access to finance solutions to help distributors navigate poor infrastructure, especially for increasing inventory and accessing vehicles and storage facilities.
- Offer access to mobile phones, computers, and data, complementing access with trainings on the use of technology solutions to support business management activities.
- Target women sales agents to help female distributors reach underserved markets and increase market penetration.
- Provide logistics support, including access to vehicles and efficient product delivery to ensure that distributors have adequate inventory to meet customer demand.
- Create opportunities for networking among distributors and with external representatives from financial institutions and local businesses.

- Provide training in financial management, inventory management, customer acquisition, sales and marketing, technology and product training.

Emerging economies in Africa have some of the highest female entrepreneurship rates in the world. By harnessing this entrepreneurial capacity, the FMCG sector is in a unique position to empower female distributors as part of its growth and expansion strategies, enhancing profitability and contributing to broader economic growth.

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Women’s entrepreneurship can be a powerful driver for economic equality. However, women owned business continue to face constraints like access to finance and markets. Taking action to understand and remove these obstacles is key in not only boosting women’s entrepreneurship but also helping businesses build sustainable and inclusive value chains.

- Ms. Eme Essien Lore,  
Country Manager, IFC Nigeria

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