



Press release

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Pages 3

Global Emerging Middle (GEM) is the next big market, says PwC

In India, this segment is expected to cross the USD 1 trillion threshold by 2021; globally the figure is expected to be in excess of USD 6 trillion by 2021

Mumbai, 27 January 2012: Globally, businesses are looking at the “Next 4 Billion” nations for growth, especially now, given the slowdown in mature economics. Businesses who function in this group (includes India, China, Indonesia parts of Africa and Latin America where over 4 billion of the worlds 7 billion reside) have traditionally focussed on the middle and upper middle income tiers.

The next big wave of business opportunity will come from the Global Emerging Middle (GEM), which lies just below the middle income segment and above the low income segment, according to PwC’s new report titled “Profitable growth strategies for the Global Emerging Middle – *Learning from the ‘Next 4 Billion’ markets*”. This market already accounts for 2.3 billion people globally and is only getting bigger. The report points out that GEM will represent a combined annual market, globally, in excess of USD 6 trillion by 2021. In India alone, this market is expected to cross the USD 1 trillion threshold by 2021.

The Emerging Middle segment is only getting bigger owing to high birth rates and above average economic growth in many countries. The report also points out that companies seeking growth can ill afford to ignore the opportunity offered by this Emerging Middle segment.

On the findings of the survey, Shashank Tripathi, Executive Director and Leader – Strategy and Research, PwC India said:

“Our research shows that once a company has established itself in the Emerging Middle, customers will carry their loyalty with them as they migrate up to the Middle class. Companies can also use the capabilities they have built in the Emerging Middle in one country to compete in other Next 4 Billion markets with similar segments.



“Innovations developed in Next 4 Billion countries can be exported to mature economies to spur growth and increase efficiencies. In short, companies will either have to enter this increasingly important sector during the coming decade or be prepared to battle those that do. Either way, they need to learn from the leaders in this market and tool up to meet the challenges that are on the way.”

For the report, PwC conducted in-depth interviews with a number of CEOs and leaders of major corporations as well as grass-roots organisations and innovation experts. Additionally, a structured consumer study was also conducted with individuals and families from the Emerging Middle class to develop a deep understanding of their needs and demands.

According to the report, for companies seeking to succeed in this challenging environment, their strategy should consider three important vectors:

Value propositions: Companies have to develop a nuanced understanding of the aspirations and unique tradeoffs of this segment and develop solutions to meet these needs. While low-cost is important, solutions must be positioned beyond low cost. Companies must also design “platform” products which can be customized to cater to the diversity of the GEM.

Innovative Business models: Companies need innovative business models and processes to address this segment profitably, to overcome institutional weaknesses and gaps in everything from credit systems to supply chains. The report argues while smart technology based reach is essential to penetrate this market, businesses must focus on offline interventions and achieving scale from the beginning..

Shift in mindset: Companies need to adjust, both in their external approach to the market, and internally to the special requirements of the Emerging Middle. Often this requires a strong leadership presence, a bold approach that embraces disruptive solutions, and a willingness to adopt new values and metrics to drive growth and measure success.

The research paper outlines three key strategic themes under each of the above vectors for profitable growth in this segment.

ENDS

Notes to editor:

- The Next 4 Billion nations are defined as having average per capita income of between USD 1000 and USD 4000 per year and are home to 4 Billion people or more than half of the world’s total population of 7 billion.
- Large numbers of consumers are making their way up from the bottom of the economic pyramid to form an Emerging Middle class. Though they still earn modest sums -- \$1.70 to \$5 per capita per day in India, for example – these consumers collectively have large purchasing power.



- In India, for example, about 470 million people were in the Emerging Middle class in 2010. We estimate that this segment will grow to 570 million by 2021. At that time, the segment, sandwiched between the lowest-income group and the middle class, will constitute about 42% of India's total population.
- Approximately 67% of India will still live in rural areas in 2021, posing unique marketing, sales, and distribution challenges to companies. While urbanization will happen, from a 10-year strategic point of view, India, especially its Emerging Middle segment, will remain largely rural.

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