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Profitable growth strategies for the next 4 billion

Learning from Indian Innovations

CFO Conclave
24-26 November 2011

Content

- Growth Horizon (s)
- Emerging Middle
- Research Profitable Growth Strategies
 - Growth
 - Profit
 - Mindset
- Financial Approach
- Relevance for you

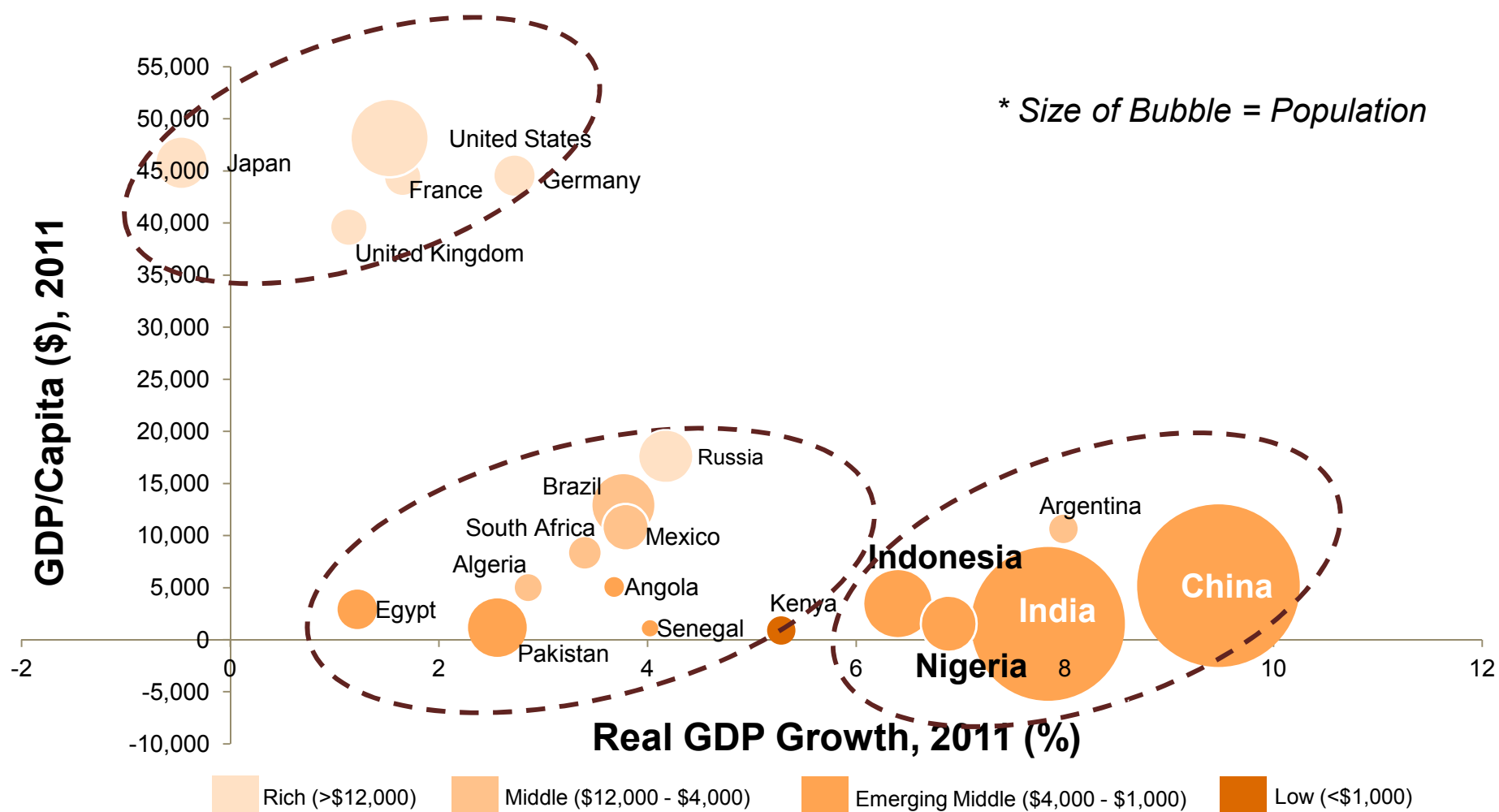
Growth Horizon(s)

The 'Next 4 Bn' countries provide a growth horizon that is particularly relevant over the coming decade

7 Bn Population	Upper 1bn	Middle 1bn	NEXT 4 BN HORIZON			Difference Middle vs. Next
	Upper 1bn	Middle 1bn	Target population Next 4bn			
Income level	> \$ 12,196	\$ 3,946 - \$12,195	\$ 996 - \$ 3,945			
Yrs of education	14.5	13.8	10.3			25%
Urban (%)	78	74	41			45%
Mobile phones (per 100 people)	106	92	47			50%
Internet users (per 100 people)	68.3	29.9	13.7			54%
Cars (per 1,000 people)	435.1	125.2	20.3			84%

Sources: World Bank

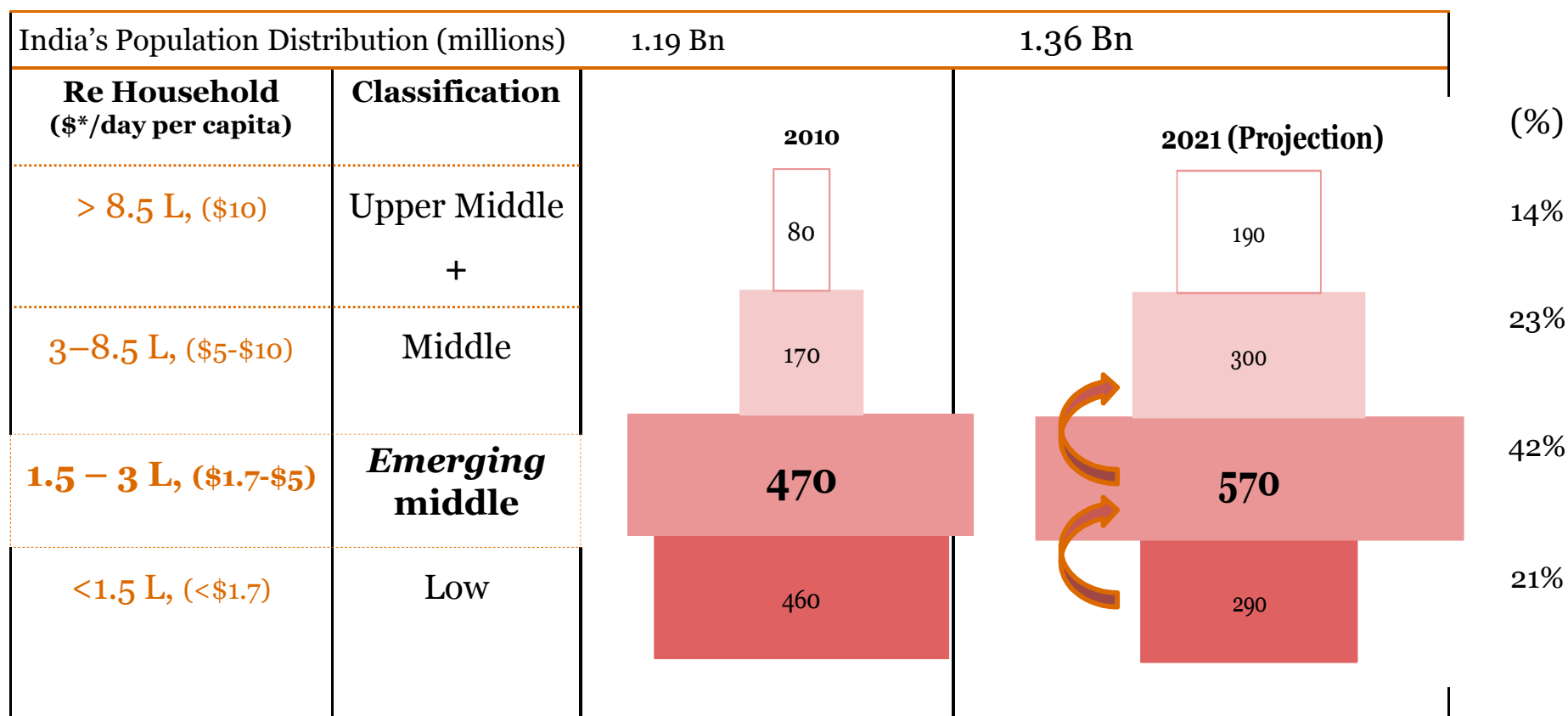
This 'Next 4 bn' is congruent with some of the key growth geographies over the coming decade



Source: IMF and World Bank

Emerging Middle

Within India, a 600 million strong 'emerging middle' is the focus of our research



Sources: PWC Analysis, NCAER (National Centre for Applied Economic Research), CMI.

All figures are reported at 2010 constant prices

Remarks by Sanjeev Kumar, CFO of Coca-Cola India

- 1 Relevance of this market for Coke
- 2 Opportunities & Challenges

Research Profitable Growth Strategies

What are key challenges for profitable growth in this segment?

GROWTH

- Is this horizon **relevant**?
- **How much** growth from this segment in 5-10 years?
- How to **market and sell** to this segment?

PROFIT

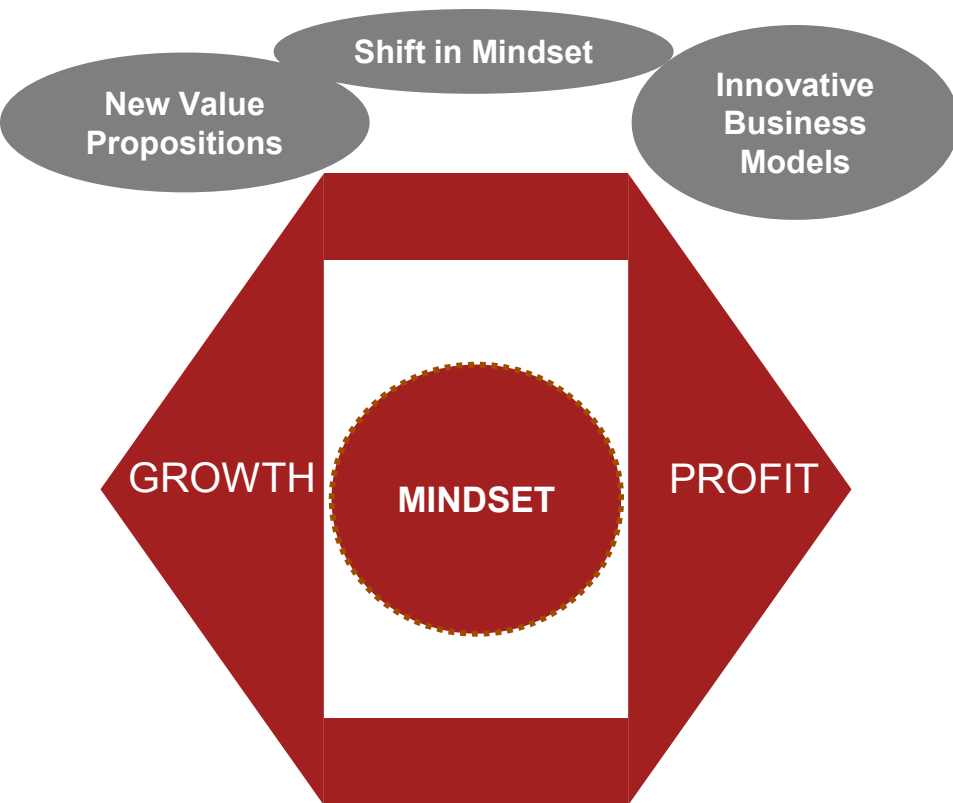
- The right **business model** for profit?
- **Systems and processes** required to drive this model?

MINDSET

- Understanding needed to **connect with customers**?
- Mindset needed **internally** to address this market?

Do these innovations give you an advantage in addressing other Horizons?

Our research looked at ‘Profitable Growth’ leaders and practitioners as well as case studies



Alam - Emerging Middle Citizen
(Rs 15K per month) *“my children should have a better education”*

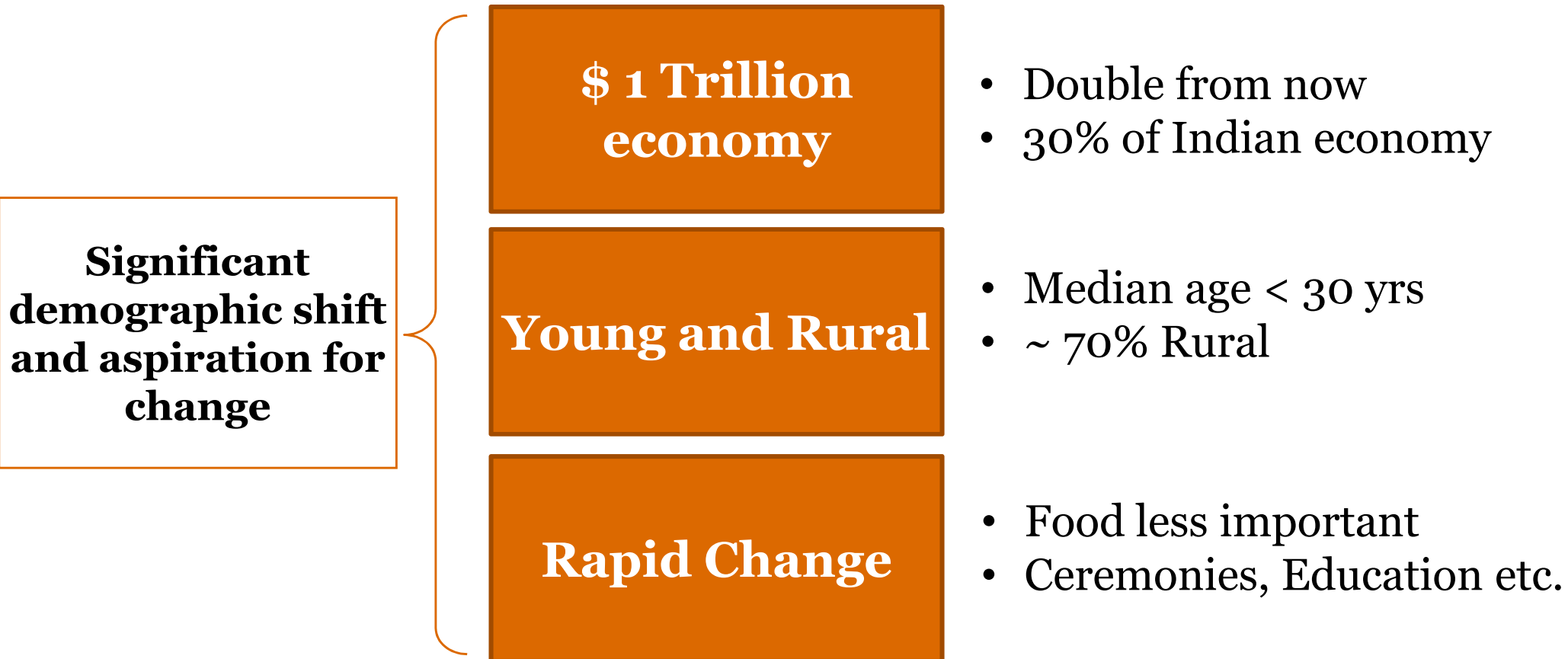
CEO - Mobile Company
“This segment is mainstream for us, with 30-40% of our revenues over 5 years”

Innovation Leader R.A. Mashelkar
“More for Less for More should be the mantra for success”

Case study analysis to document strategies of Pioneers and leaders

Data on trends and solutions relevant for India

The Indian emerging middle class will constitute a \$1 Trillion economy by 2021 with a young, largely rural base



Growth requires understanding unique aspirations positioning and customization for this segment

Design Product or Service with the specific needs of this market

Aspiration Tradeoffs

Understand the very different aspirations, influencers, and tradeoffs of this segment

Beyond Cost Position

Position product and services beyond cost, pricing beyond functional considerations

Platform Customization

Design product and services with a few key features, but tailoring it for diversity

Profit requires scale thinking, collaboration and use of technology with offline interventions

Create a scalable business through collaboration, Technology and offline

Ecosystem Collaboration

Extract value by creating an ecosystem, collaborate with the unorganized sector

Modular Scale

Have a modular design, aggregate local demand and think scale from the beginning

Smart Reach

Cluster marketing and distribution, create local financing mechanism, enable through technology and offline

A mindset that creates trust in a unique way backed by performance measures and disruptive thinking

**Create trust with
this segment and
drive business by
measures and
disruptive
thinking**

**Trusted
Endorsement**

*Build the brand with
aspiration in mind, but
using word of mouth to
drive awareness*

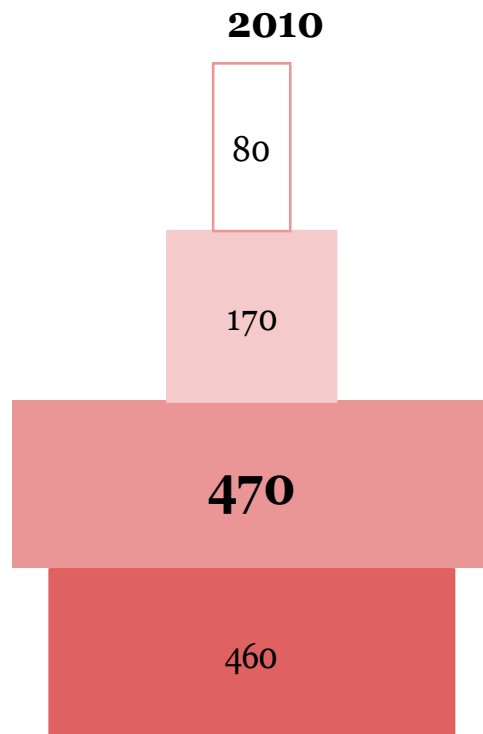
**Values &
Metrics**

*Drive this business with
broader values and
incubate it with different
metrics*

**Disruptive
AND**

*Disruptive changes required
in this model alongside
'AND thinking'*

Idea cellular took a path that consolidated its position in this market before moving up



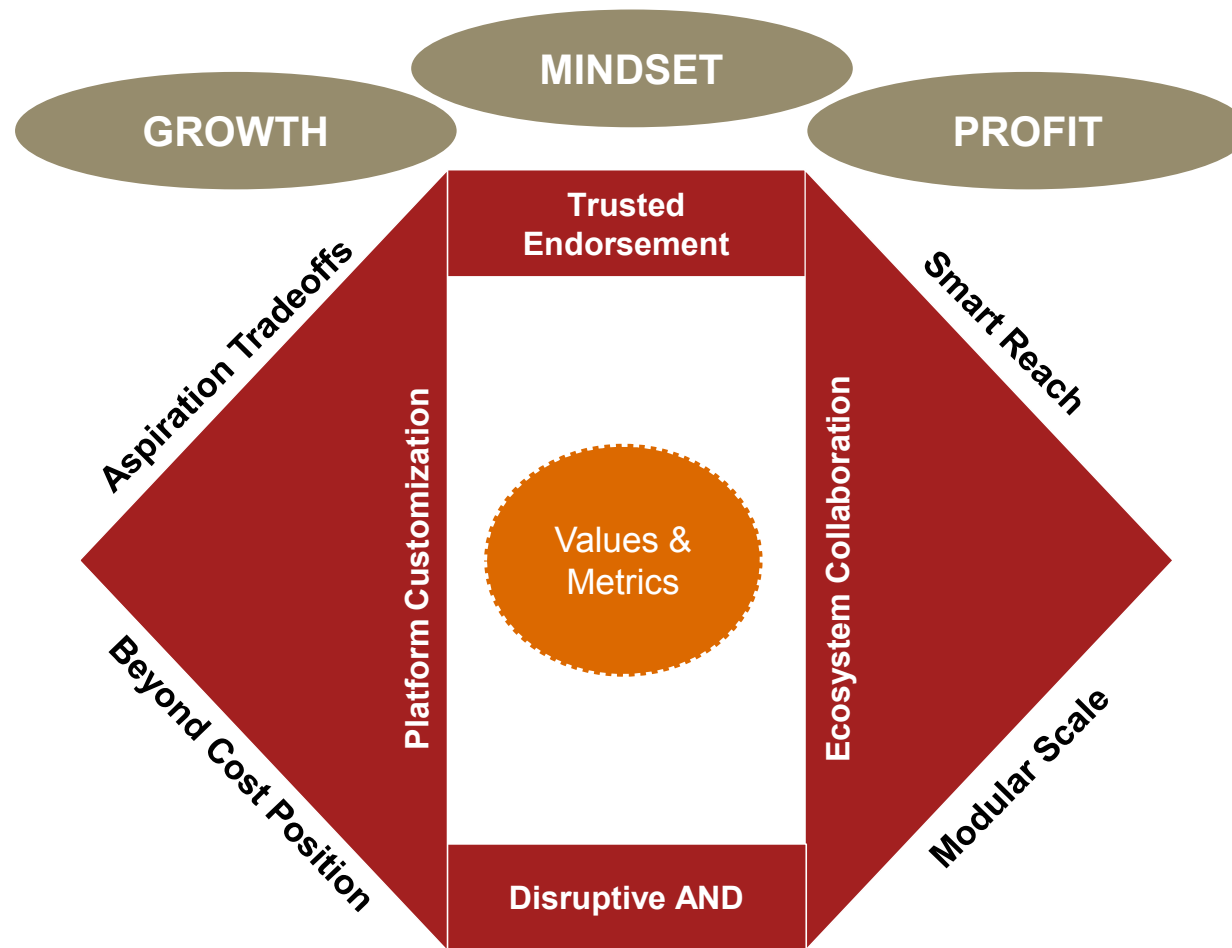
“Targeted Emerging Middle”

- Smaller town licences to start the business
- Customized for rural and low-income consumers
- Distribution network of 1,520 branded service centers
- Strength to Move up

Source: PwC analysis, primary research

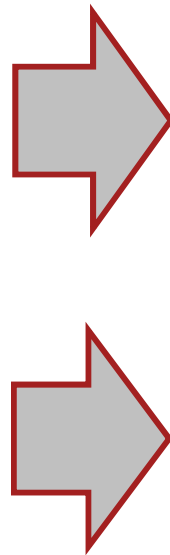
PROFITABLE GROWTH FRAMEWORK

We see our profitable growth framework comprising 6 key themes and 3 enabling mindsets



Financial Approach

Financial approach in one case followed a different approach in the Adoption, Acceleration and Steady State



	Adoption	Acceleration	Steady Phase
Revenue	↑	↑↑	↑↑
COGS	↑	↑	↑↑
Gross Margin	↑	↑↑	↑↑
SG&A	↑↑	↑	↑
Operating Margins	↑	↑	↑↑
Asset Investment	↓	↑↑	↑
Asset Turnover	↑	↓	↑
ROCE	↓	↑	↑↑

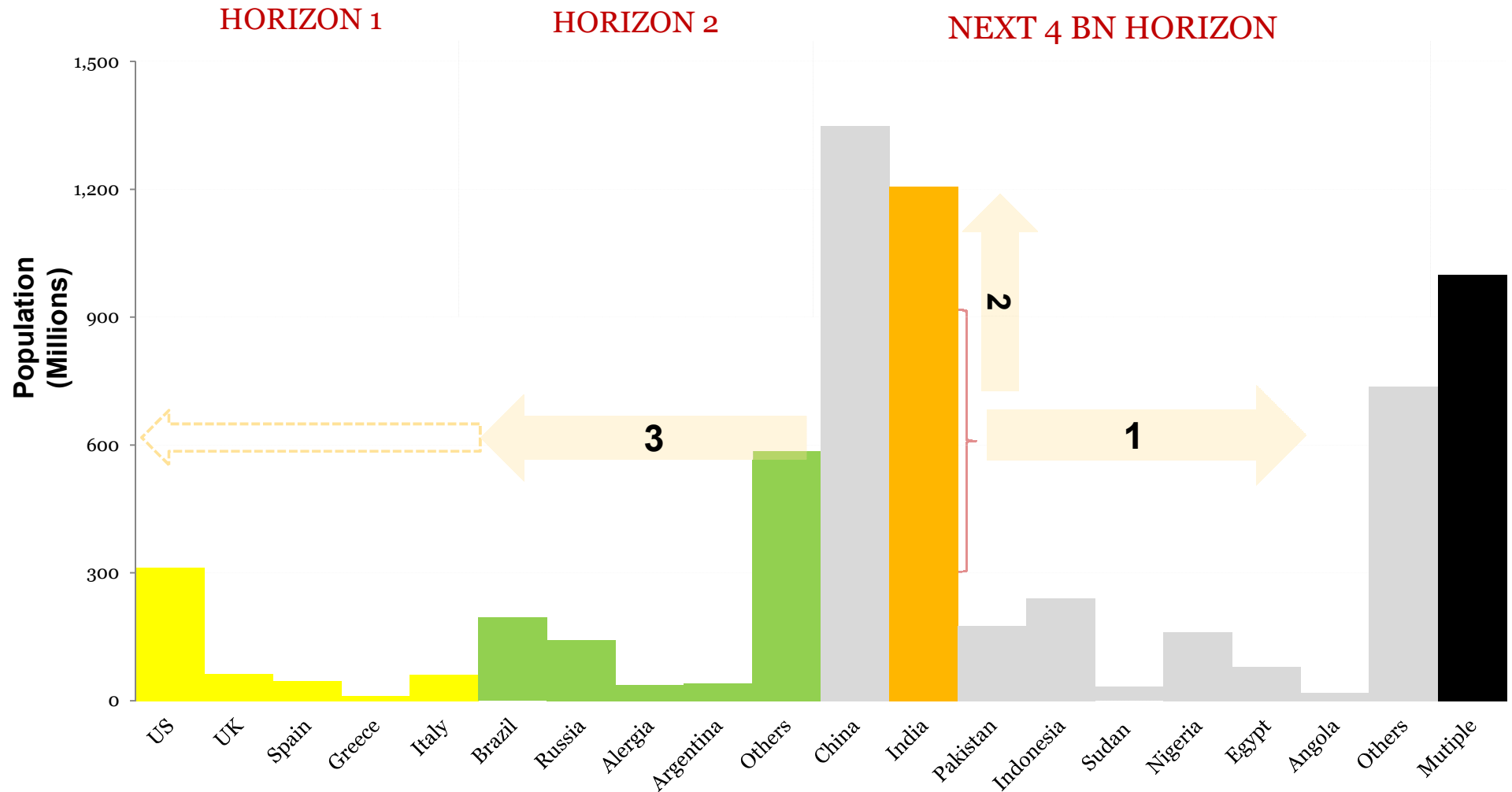
Source PwC Analysis

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PwC

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Slide 19

Relevance for you

Resulting innovations can be used to address other horizons



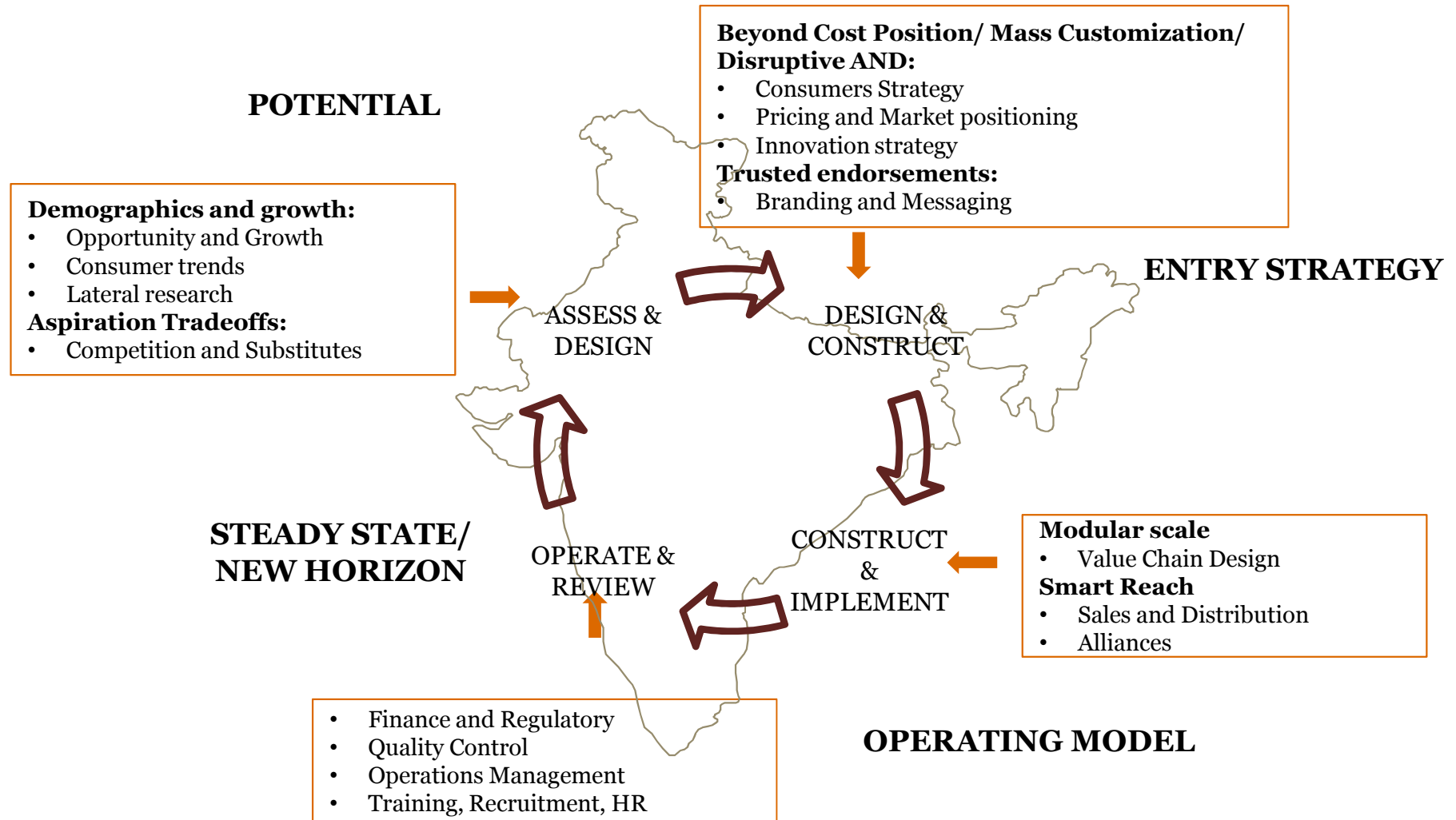
Source: PWC Analysis, World bank, IMF

Where are you in this journey? Where are your different businesses?



Next Steps	Not Present	Entering	Steady State	New Horizon
Assess	X			X
Design		X		
Construct		X		
Implement			X	
Operate & Review			X	

How do you create profitable growth in this Horizon?



Thank you!