Today’s technology business managers are no longer designing or selling to consumers in saturated mature markets. To ensure short-term revenues and long-term growth, IT and telecommunications managers must be familiar with emerging markets like China, India, Brazil and Russia.

But what are emerging markets, and how are they different than more-familiar developed economies?

The following facts from Vital Wave Consulting describe emerging markets and provide clues to technology companies aiming to increase revenues in those countries.

1. **World majority**: One in every six people in the world is Indian and one in five is Chinese. Developing economies make up 84% of the world’s population.

   Implications – Few multinational IT or telecommunications companies deny that China, India and other rapidly-developing emerging markets are vitally important to their long-term growth. Developing countries have always had a larger population than developed countries, but emerging-market incomes and purchasing power have increased dramatically since the 1990s, and advances in international transportation, finance, and communications have made developing-country consumers into a viable market. The challenge for many firms is to create appropriate solutions and a value chain in emerging markets that is as efficient and relevant as in mature markets.

2. **Great disparity between haves and have nots**: Of the 100 countries with the largest discrepancy between the rich and the poor, 89 are emerging markets.

   Implications – In areas with great income disparities, exposure to products consumed by wealthier classes drives demand among lower-income consumers. IT and telecommunications companies may have to design for and market to different consumer needs, however. Basic utility and income-generating potential are important features for products and services intended for lower-income consumers. The need for ‘just enough’ functionality should be balanced against quality and good design.
3. **Growing economic power:** As developing countries transition from export and agriculture-based economies to manufacturing and service-based economies, their share of global wealth is increasing. By 2015, emerging markets will comprise 26% of the global economy. Real GDP is growing at more than twice the rate of developed countries. From 1998-2012, inflation-adjusted GDP is expected to grow 5.7% in developing countries compared to 2.5% in developed countries.

*Implications* – Wealth is increasing faster in emerging markets, so there is more money to spend on IT. The transition to manufacturing and service-based economies creates a larger enterprise market for IT and telecommunications. Better jobs with higher salaries expand the consumer segment, and public-sector opportunities increase as governments try to stimulate economic growth through heavy investment in IT and telecommunications.

![Real GDP Growth (1998-2012)](image)

4. **Rural and agrarian:** Though rural-to-urban migration is causing a 2% annual rise in the urban population across emerging markets, most developing countries are still predominantly rural and agrarian. Overall, 56% of emerging-market populations live in rural areas, and the vast majority of rural residents work in agriculture. In developed countries, only 21% live outside urban areas, and an even lower percent (3.8%) are agricultural workers.

*Implications* – Rural areas are typically poorer and have a less developed infrastructure than urban areas. Educational opportunities, teacher training levels and school materials can also be inferior in rural areas. For sophisticated, higher-priced products and services (e.g., PCs) the potential market size is restricted by these social, economic and infrastructural limitations. For lower-priced products (e.g., mobile phones), rural areas may be a better market, because connectivity is expanding and urban areas are saturated.

5. **Robust informal economy:** Up to 60% of the population in emerging markets works in the informal economy.

*Implications* – Emerging markets are very fragmented, and it can be difficult to determine how much people earn. IT and telecommunications companies can easily underestimate how much expendable income people actually have, complicating the tasks of pricing, distribution, and messaging. Low official (or declared) incomes may also limit a consumer’s credit-worthiness.
6. **Diverse and varied:** There is incredible diversity within and between emerging markets. Developing countries vary radically by size, population, cultures, and economic measures.

*Implications* – A one-size-fits-all approach does not work for emerging markets. IT and telecommunications companies may have to vary products, services and business models by region or country, or even by rural and urban areas within a country.

7. **Large migrant populations:** There are up to 200 million internal migrants in China, and both India and Mexico have significant portions of the population working outside the country. Remittances sent to friends and family can have a considerable effect on a national economy. Migrants send over $20 billion in remittances annually into Mexico and India - equivalent to 2.2 and 2.4% of the countries respective GDPs.

*Implications* – As rural-to-urban migrants and overseas workers gain better employment and higher incomes, they become a viable target market with unique needs and preferences. An ecosystem of programs and technology services (e.g., calling cards, mobile phone-based banking, and training programs) has grown around the large migrant populations in China, India and Mexico, among other nations. Remittances sent by migrants can significantly impact the well-being of friends and family in rural areas, driving demand for technology products and services in new markets.

8. **Small businesses are pre-dominant:** In emerging markets, an estimated 69% of people who are employed in the formal sector work in micro, small or medium-sized enterprises.

*Implications* – Small businesses have a major effect on the national economy in emerging markets. IT and telecommunications companies that focus on enterprise customers have enjoyed strong growth during the last decade. However, the next wave of growth will likely come from the small and medium-sized business segment and may require that companies modify existing products or services for these customers.

9. **Alternative technology adoption:** With a legacy of weak electrical and telecommunications infrastructure, new technologies (especially wireless) are being adopted at a faster rate in emerging markets. The graphic on the right shows how mobile adoption growth rates in developing countries far outweigh line growth and mobile growth in developed countries.
Implications: IT and telecommunications companies cannot use historical adoption patterns in developed countries as a means of predicting technology adoption in emerging markets. The rapid adoption of mobile phones in developing countries has allowed users to leapfrog fixed-line phones. Similarly, limited fixed-line Internet connectivity may drive a faster adoption of Internet browsing through mobile handsets in emerging markets. Less access to credit and formal banking services has fueled demand for mobile-banking services (which are less relevant in mature markets where consumers have bank accounts and credit cards).

10. Importance of social services: Developing countries still have enormous challenges in the areas of education, health and social services. 1.2 billion people still live on less than $1 a day. In the developing world, the risk of dying in childbirth is one in 48. And 113 million children do not attend school.

Implications: Governments are committed to achieving broad development goals through strategic investment and reform. IT and telecommunications companies can gain credibility and the cooperation of emerging-market governments by offering products and services that support social and economic development.

Click here for an explanation of purchasing power parity. For more information, see Vital Wave Consulting’s Emerging Markets Definition and World Market Groups.