

Emerging Markets Are Everyone's Business

In the coming years, emerging markets will include the largest addressable customer base on the planet. While growth rates in developed markets slow due to market saturation, emerging market economies – led by China, India, Brazil, and Russia – are growing at a break-neck pace. The combined GDP of emerging market nations will surpass that of the top 20 developed economies by 2015.¹

Companies that hope to improve or maintain their global market position must have a strong presence in developing economies. However, the products, services and skills used to achieve market leadership in *mature* markets do not automatically transfer to emerging market economies.

When creating an expansion strategy, companies must consider many important differences between mature and emerging markets. The most fundamental difference is **customer needs**. The masses of developing economies are the ultimate customer for any organization working in emerging markets. They are the constituents of government, the beneficiaries of development agencies, and the users of electricity, telecommunications, transportation and postal services. They are also the consumer base for everything from clothing and electronics to shampoo and paper. While some companies have found success by targeting business or public sector customers in these geographies, long-term profitable growth depends on understanding the needs and preferences of the masses.

After vital necessities, the primary concern of most emerging market citizens is **access to basic services**. Education, healthcare, employment opportunities, financial credit, communications, and even entertainment are all fundamental. High-technology solutions can increase access to these services and improve the standard of living. Individuals in emerging markets, even those currently earning \$5 per day, are willing to spend their disposable income to improve their quality of life.



Understand customer needs



Design relevant ICT solutions



Develop appropriate business models

¹ IDC Worldwide Black Book 2003 and internal data.

Organizations from all sectors are investing in solutions that will provide basic services to emerging market populations. These technology solutions will function differently, require different methods of delivery, and focus on solving different problems than solutions designed for mature markets. High-technology companies can reshape and recombine their assets into new solutions that are relevant within the context of emerging markets. This results in a highly compelling offering that will penetrate the market for near-term, profitable growth, and establish a presence for the company in key markets.

Another important difference between developing and developed economies is that, in emerging “mass” markets, **wealth is spread thinly** across the population and among small businesses. This distribution requires alternative business models. Typical consumers in most developing nations cannot afford to buy a computer, but they can afford to buy short periods of computer time at an Internet Café. This fee-for-use model has also been successful for other forms of technology, such as cell phones and digital photography. One person rents or purchases equipment that he or she then provides on a for-fee basis to others, creating new employment for the individual and additional local services for the community.

In many emerging markets, the largest ICT customers are the government and development agencies. High-technology products are often purchased by governments or non-government organizations for direct or indirect use in their constituent communities. However, the **distribution of power and decision-making authority** can be different than in mature markets, and buyers may have very different concerns and priorities. For instance, in developing nations, defense and security are often lower priorities than promoting economic opportunity, basic infrastructure and literacy. In addition, local regulations may significantly impact pricing and distribution channels, and cost-saving or job-creation imperatives may obligate specific technology choices. Companies that enter these markets hoping to win contracts with the public or non-profit sector must be aware of these requirements. In summary, successful business growth in developing economies requires innovative technology solutions and business models that address the unique aspects of these geographies. The high-technology industry is just beginning to understand and address the opportunity and the associated success factors in emerging markets.

To tap into these opportunities and better understand the dynamics of emerging markets, contact Vital Wave Consulting to schedule an engagement.

About Vital Wave Consulting

Vital Wave Consulting enables accelerated revenue growth in emerging markets through strategy consulting, market research and scenario forecasting. The company engages with multinational corporations in the information technology and telecommunications industries. For more information, please contact:

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