Press release

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

*Globally this segment is expected to be in excess of USD 6 trillion by 2021*

**14 February 2012:** Globally, businesses are now looking at the ‘Next 4 Billion’ nations for growth, especially given the slowdown in growth in mature economies. This group, which includes India, China, Indonesia parts of Africa and Latin America, is where over 4 billion of the world's 7 billion reside.

In these markets businesses have traditionally focused on the middle and upper middle income tiers.

But the next big opportunity will come from the Global Emerging Middle (GEM) - just below the middle 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 growing fast as more people emerge from poverty. The report shows that globally it will represent annual spending power in excess of USD 6 trillion by 2021. In India alone, it is expected to cross the USD 1 trillion threshold by 2021. Companies seeking growth can't afford to ignore the opportunity offered by this Emerging Middle segment but need to innovate to meet customer requirements and serve them profitably.

Tony Poulter, Global Consulting Leader ,PwC said:

“The research shows that once a company has established itself in the Emerging Middle, customers will carry their loyalty with them as they continue to increase their income. 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 also be exported to mature economies to spur growth and increase efficiency. Many companies will have to enter this increasingly important sector during the coming decade..”

 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, companies seeking to succeed in this challenging environment, should consider three important factors:

**Value propositions:** They have to develop a nuanced understanding of the aspirations and tradeoffs of customers in 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 wide 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 that while smart technology-based reach is essential to penetrate this market, businesses must still 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. 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.

**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.

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