News release

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Presence to profitability in growth markets: finding and managing the right partners is key, says PwC

Companies seeking to invest in growth markets are rightly spending considerable amounts of time and money on prioritising the markets to enter and the consumer segments on which to focus.

But to succeed and grow, it is critical for these companies to choose the right local partner to navigate the often complex and fragmented routes to market, says a new PwC report.

Presence to profitability, produced by PwC's Growth Markets Centre, identifies the steps to be taken by companies in developed countries in pursuing profitable opportunities in growth markets.

An important message is that growth markets are constantly evolving and developing, and therefore need a flexible strategy for today's environment and tomorrow's evolved opportunities. Says David Wijeratne, PwC Growth Markets Centre Leader: "Companies looking to expand into growth markets often need to rely more heavily on local third parties than is normal in their home markets. This means they must get used to less control and visibility as to how their products or services are being delivered to customers."

So identifying the right local partner is an important first step to a successful growth market channel strategy. It may seem cumbersome to thoroughly vet a potential partner and to fully understand and adhere to local and domestic regulations and trade treaties, but getting this wrong could mean the difference between realising a new set of profits, or retreating from the market with a costly loss to brand and profitability.

Finding a partner will provide a company with 'Presence' in a growth market, but the key to 'Profitability' is making the partnership work, including: getting the right organisational structure, setting up systems and processes to provide visibility of distributors' activities, and establishing clear timeline expectations. And when it comes to relationships, it's important to make the partner feel part of the company, through building mutual trust and loyalty.

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But even having established an effective and profitable partnership, this is no guarantee to sustained future growth. What worked to enter a new growth market might not be appropriate for later expansion; in many cases the road to future growth may lie in extending the partner mix - or even partnering with someone else entirely.

"Profitability is not an automatic outcome of presence in the growth markets," says David Wijeratne. "So being aware and prepared that certain partnerships have a lifespan will enable companies to adjust a channel strategy to meet their growth potential and handle the challenge of constantly evolving market circumstances.

"One thing is clear. It is more complex to manage partners in growth markets than in developed markets. But with the right approach and flexible mindset, companies can build profitable and trusting partnering relationships for long-term profitability."

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Note:
PwC's Growth Markets Centre brings together the best of PwC and Strategy& growth markets expertise from across the globe to help companies navigate these complex new markets profitably. Our growth markets methodology supports companies in addressing their market entry and expansion needs. For more information, visit www.pwc.com/gmc

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