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Why Emerging-Market Consumers Remain Bullish

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Why Emerging-Market Consumers Remain Bullish

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AT A GLANCE

Economic challenges in key emerging markets are starting to temper consumers' sky-high optimism and prompt many to trim their near-term spending plans. But these consumers remain more bullish on the future and more eager to spend than their counterparts in developed economies—which means that emerging economies are still among the world's best growth opportunities.

Shifting Priorities

As in developed economies, the priorities of consumers in emerging markets have shifted in recent years. Consumers in Brazil, China, and India plan to spend greater portions of their budgets on products that they view as healthy, such as fresh foods, and on higher-quality, big-ticket items for their families, such as homes and major appliances. They plan to devote smaller shares to luxury and fashion items.

Calibrate for Each Market

Consumers' priorities often vary sharply from one emerging market to the next with regard to spending plans and trading up or down in specific product categories. Their perceptions and expectations of brands can differ widely as well. Companies must tailor their brand strategies and communications to account for the disparities in demand and the economic circumstances of each market.

DESPITE DREARY NEWS OF economic slowdowns and market volatility from Brazil to India to Turkey, consumer sentiment in some of the world's largest rapidly developing economies (RDEs) remains remarkably bullish. Shoppers in key emerging markets feel more financially secure and far more confident about the future than those in developed economies. They also express greater enthusiasm for brands and for consumerism itself.

But recent economic challenges are starting to temper that exuberance. The Boston Consulting Group's 2013 Global Consumer Sentiment Survey found that many shoppers in RDEs are adjusting their near-term spending behavior to correspond with tougher economic environments: compared with BCG's 2012 Global Consumer Sentiment Survey, fewer respondents in the current study said that they plan to increase spending over the subsequent 12 months, for example, while a greater percentage said that they intend to cut back. And while, on average, more consumers in RDEs than in Japan and the West reported that they are trading up to higher-priced products, they plan to do so less than in previous years.

This combination of short-term caution and long-term confidence is something that companies should keep in mind as they hone their brand strategies, investments, and expectations in RDEs. True, consumers in emerging markets are likely to tighten their belts somewhat in the next year or two. But because they are looking forward to a brighter future for themselves and their families, our research shows, they remain far more eager to spend and trade up in the product categories that they care about most.

Consumer sentiment and spending plans diverge across emerging markets.

These are the broad generalizations. When it comes to specifics, however, our survey found significant—and in some cases, dramatic—divergence in consumer sentiment and spending plans across emerging markets. For this report, we compare the results of our survey of nearly 7,000 consumers in Brazil, China, and India; around 9,000 consumers in eight African economies; and 23,000 consumers in nine developed economies.[1] (See *The Resilient Consumer: Where to Find Growth amid the Gloom in Developed Economies,* BCG Focus, October 2013.)

The following are some of the key findings on the short-term outlook of consumers in RDEs:

- More consumers this year plan to cut spending, especially on fashion and luxury goods and dining out. But while 49 percent of respondents in India and 66 percent of those in Brazil said that they will cut back, only 33 percent of consumers in China said they intend to cut spending over the subsequent 12 months.

- More consumers in RDEs than in developed nations are now trading up to higher-priced, higher-quality products, especially big-ticket items such as housing, cars, and large appliances. But in China, the intention to trade up dropped from 40 percent in 2011 to 27 percent in 2013, and in Brazil significantly more consumers in 2013 reported plans to trade down to lower-priced products.

- Perhaps contrary to stereotype, the highest priority for increased spending among shoppers in China was not luxury goods but fresh foods—and it constituted the lead trading-up category among consumers in India and Brazil as well.

Now for the longer-term outlook of consumers in RDEs:

- Optimism remains strong. An average of 72 percent of respondents in Brazil, China, and India are optimistic about the future, compared with only 48 percent of respondents in developed markets.

- An average of 55 percent of consumers in the three RDEs feel "financially secure," compared with only 35 percent in developed markets. While the level of financial security has declined over the past year in Brazil and China, it has risen sharply in India.

- Approximately twice as many consumers in RDEs as in developed markets said that "every year, there are more things I want to buy."

Priorities for spending in emerging markets continue to shift.

Even though we expect at least some bumps over the next year, the overall picture for RDEs remains bullish for the medium and long terms. Hundreds of millions of households are poised to enter the ranks of the middle and affluent classes. These households have enormous unmet needs and will want to enjoy the fruits of their larger discretionary income. The eventual prize for companies is a consumer market that is projected to be worth a combined $10 trillion annually in China and India and $1.6 trillion in Brazil by 2020.

It is important to remember, however, that priorities for spending in emerging markets continue to shift in response to changing economic circumstances and as consumers enter new income segments. In this year's survey, for example, consumers in RDEs reported that they are now spending greater portions of their budgets on what they perceive to be healthy, high-quality products that offer value for money, while devoting smaller shares to luxuries and nonessential purchases. Companies that tailor their marketing messages and brand, product, and go-to-market strategies to the new consumer priorities and preferences in each type of economy can seize competitive advantage in what are likely to remain the most dynamic growth markets in the world.

From Emerging Markets to Diverging Markets

For much of the past decade, executives have viewed the global economy as a two-speed world, comprising the slow-growing, aging, mature developed economies and the fast-growing, dynamic, relatively young developing economies. A third element has now been added, however: while a number of economies in Africa and Asia still enjoy strong growth, other big emerging markets are losing momentum. Still, it would be a mistake to scale back in emerging markets just because of the current economic challenges.

Before delving into the detailed findings of the BCG 2013 Global Consumer Sentiment Survey, a review of the economic context for the three RDEs and eight African economies that are discussed in this report may be helpful.

While some emerging economies still grow strongly, others are losing momentum.

Brazil. A boom in personal consumption that helped drive high growth in recent years is winding down as credit tightens and inflation rebounds, affecting consumer sentiment. What's more, another key economic driver—expansion of the labor force—has hit a ceiling. Slower consumer spending is occurring in virtually every product category. Over the medium and long term, however, Brazil remains a major growth opportunity. By 2020, 36 percent of Brazil's 68 million households will likely have joined the middle and affluent classes—compared with 24 percent in 2000—and represent a $1.6 trillion consumer market. Economic development is also spreading to major population centers in Brazil's north and northeast regions, as well as in small, interior cities. The personal-services, private-education, financial-services, and travel sectors are expected to be major beneficiaries. (See *Redefining Brazil's Emerging Middle Class: How to Prepare for the Next Wave of Consumption Growth,* BCG Focus, July 2013.)

China. After several decades of near double-digit growth, China's economy has slowed to a rate of 7.5 percent per year. This is partly the result of a restructuring so that the economy is driven by consumption rather than credit-fueled investment. Further urbanization and rising household incomes support this transition. By 2030, some 200 million additional residents in China are expected to move to urban areas. By the end of that decade, China's middle class is projected to double, reaching 500 million people. Significant reforms—such as measures that make credit more widely accessible to the private sector and that give all urban dwellers greater access to social benefits in the cities where they reside—will be required to enable this transition. But while the government has stated that it intends to implement such reforms, how quickly it can enact them remains uncertain.

India. After growing at an annual rate of 7 percent during the worst years of the recent global recession, India's economy has come under pressure. GDP growth forecasts for the next two years have been revised downward to around 5 percent, while inflation is expected to reach 8 to 10 percent. But while these factors have slowed growth in consumer spending, India's long-term prospects remain strong. The household income of more than one-third of India's population is projected to reach $7,500 to $18,400 by 2020. At the same time, thanks to rising incomes and favorable demographics (the average age of India's population is a little over 27 years), levels of consumer spending are expected to be more than three times higher in 2020 than they were 2010. Consumer spending is especially increasing among India's 800 million rural residents, who are benefiting from better telecommunications connectivity and transportation infrastructure. Rapid growth is projected in sectors ranging from consumer durables to health care and education.

Africa. Although economic conditions vary dramatically by region, Africa is the last great zone of untapped growth. East and West African economies, including Angola, Ethiopia, Ghana, and Rwanda, have been among the world's fastest growing of the past few years. Congo, Ethiopia, Ghana, Nigeria, and Zambia are projected to be among the fastest-growing over the next few years. In contrast, North African nations, including Egypt and Libya, have been in crisis, while growth in South Africa's economy has recently slowed to around 2 percent. Serious obstacles to faster growth across the continent include political instability, inadequate infrastructure, and corruption. But strong promoters of growth include increasing levels of foreign direct investment, a young and growing working-age population, rising education levels, and rapid infrastructure development. By 2017, Africa is projected to have 257 million households with annual incomes of more than $2,700, compared with 104 million households at that income level in 2004.

Persistent Long-Term Optimism

Despite slowing economic growth and market volatility across much of the developing world, consumers in emerging economies remain buoyant about the future. Our survey found a very high level of optimism, a strong sense of financial and employment security, and a generally positive outlook on life in the emerging economies we surveyed. Respondents also embraced the consumer ideal itself. This high degree of optimism in emerging markets stood in sharp contrast to the more pessimistic and negative perspective of respondents in developed economies.

Bullish About the Long Term. Although economic confidence in the near term has become shakier in RDEs, it remains stronger than in developed economies. Confidence that the economy will improve over the subsequent 12 months was highest in India, at 57 percent, though economic conditions there have deteriorated since the time of the survey. In Brazil, optimism in near-term economic improvement dropped from 56 percent in 2012 to 44 percent this year; in China it dropped from 49 percent to 37 percent.

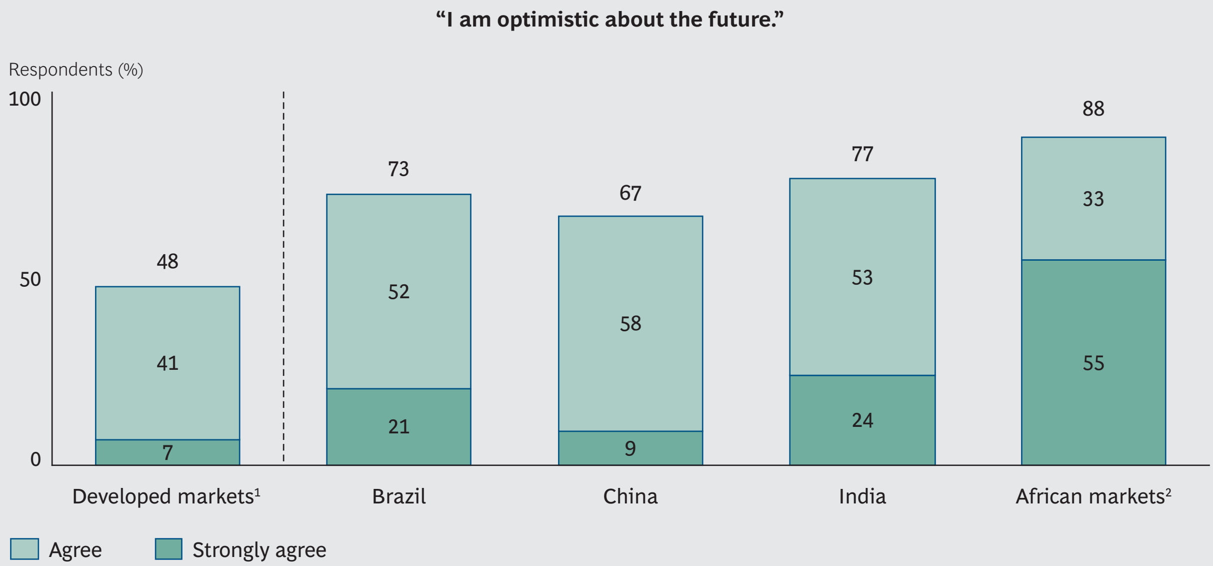
Consumers in emerging markets are very optimistic about the future.

When asked whether they are anxious about the future, consumers' responses were more mixed. Sixty percent of respondents in India said they are anxious, compared with just 39 percent in Brazil and 31 percent in China. In developed economies, an average of 59 percent said that they are anxious about the future.

Consumers remain solidly bullish about the long term. An average of 72 percent of respondents in Brazil, China, and India, as well as 88 percent in the eight African nations, said they "agree" or "strongly agree" that they are optimistic about the future. (See Exhibit 1.) By contrast, only 48 percent of consumers surveyed in developed economies said that they are optimistic. Among the RDEs, optimism was highest in India, at 77 percent, compared with 73 percent in Brazil and 67 percent in China. In Africa, a full 97 percent of respondents in Ghana and 98 percent of consumers in Nigeria agreed with the statement.

To get a more general sense of the consumer psyche in Brazil, China, and India, we asked respondents whether they agreed or disagreed with the statement, "I have peace of mind." Seventy-seven percent of consumers in Brazil, 68 percent in China,

EXHIBIT 1 | Consumers in Rapidly Developing Economies Are Much More Optimistic About the Future Than Those in Developed Economies



Source: BCG 2013 Global Consumer Sentiment Survey.
[1]The developed markets are Australia, Canada, France, Germany, Italy, Japan, Spain, the U.K., and the U.S.
[2]The African markets are Algeria, Angola, Egypt, Ghana, Kenya, Morocco, Nigeria, and South Africa.

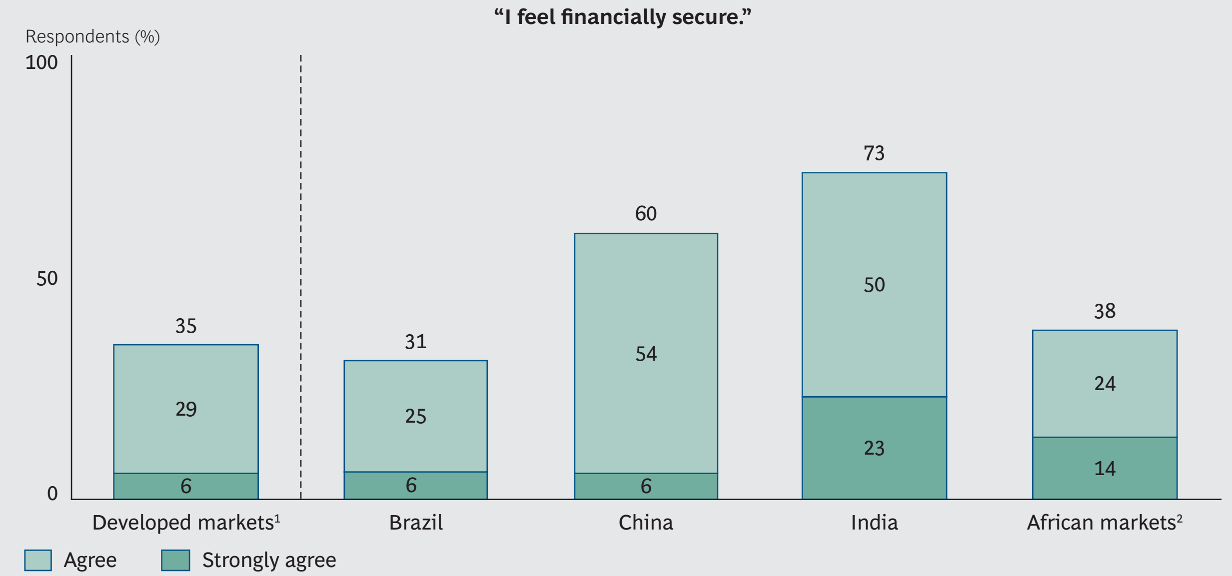
and 75 percent in India agreed. The results represent a slight decline since 2012 in India but no significant change for China and Brazil.

Continuously Improving Living Standards. Consumers in RDEs also remain confident about their economies' development path. Sixty-nine percent of respondents in Brazil, China, and India, compared with 54 percent of respondents in developed economies, agreed with the statement, "My generation lives a better life than that of my parents." This sentiment was highest in China, at 78 percent, reflecting that country's dramatic economic transformation over the past three decades. And consumers expect this progress to continue: 41 percent of respondents in Brazil, and 69 percent of consumers in India and China, said they believe that "the generation to come will have a better life than ours." A mere 14 percent agreed with that statement in developed economies.

These results suggest that although the current economic slowdowns in RDEs are dampening sentiment in the short term, people are taking the volatility in stride. They still believe that the future remains very bright.

A Strong Sense of Financial Security. Sixty percent of consumers in China and 73 percent of respondents in India agreed with the statement, "I feel financially secure," compared with 35 percent in developed economies. However, only 31 percent of respondents in Brazil agreed with the statement. (See Exhibit 2.) On average, just 14 percent of respondents in Brazil, China, and India said that they do not feel secure in their current jobs, compared with 25 percent in developed economies. A full 75 percent of consumers in RDEs reported that they believe their

Exhibit 2 | Consumers in China and India Feel the Most Financially Secure



Source: BCG 2013 Global Consumer Sentiment Survey.
[1]The developed markets are Australia, Canada, France, Germany, Italy, Japan, Spain, the U.K., and the U.S.
[2]The African markets are Algeria, Angola, Egypt, Ghana, Kenya, Morocco, Nigeria, and South Africa.

annual earnings will grow "more" or "significantly more" over the following 10 years—compared with only 40 percent in developed economies. Confidence in future earnings power was highest in China, at 85 percent.

Adequate Savings. Savings patterns vary widely across RDEs. Nearly 90 percent of consumers in China and India said that they are saving at least some money, for example, while 29 percent of respondents in Brazil said that they aren't saving at all. Among the eight economies in Africa, the share of consumers who reported saving varied from 91 percent (in Ghana) to just 45 percent (in Egypt).

Fifty-six percent of respondents in China—a decline from 63 percent in 2012—estimated that they are saving more than 10 percent of their incomes. An average of 59 percent of respondents in Brazil, China, and India agreed with the statement that their "working years will permit enough savings for a happy retirement." In developed countries, only 31 percent agreed.

An average of 39 percent of consumers in RDEs reported "personal or family reasons" as the main motivation for saving. Twenty-seven percent said that they are saving in order to acquire real estate in the next few years, while another 22 percent said that they are saving to buy a car. Twenty-seven percent also said that they are saving more "due to personal investment plans." In Europe and the U.S., by contrast, around half of consumers said they are saving "as a general precaution" in case of another economic downturn.

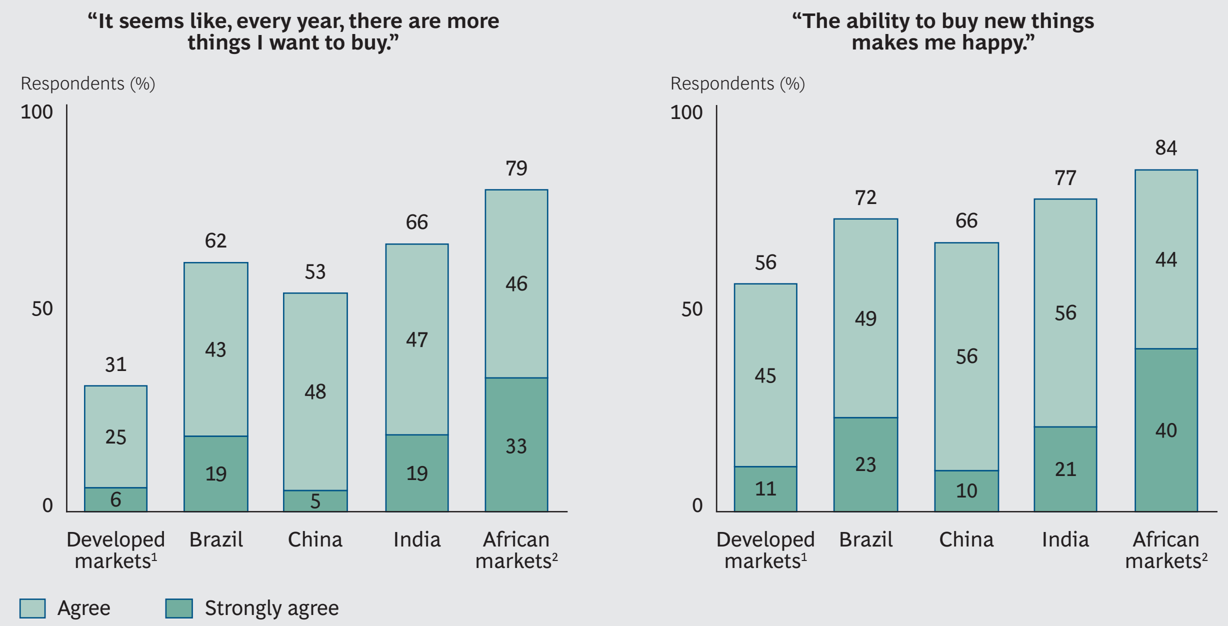
The healthy optimism in the economic future—and strong desire to buy new things—reinforces our faith that consumer markets in emerging nations will remain buoyant. However, the similarities among RDEs begin to break down when it comes to near-term spending plans and priorities.

Emerging-Market Consumers' Shifting Plans for Spending and Trading Up or Down

Even though many consumers in RDEs are growing more cautious, their desire to spend has not significantly diminished. Our survey found that, on average, respondents in Brazil, China, and India are about twice as likely as those in developed economies to agree with the statement, "It seems like, every year, there are more things I want to buy." (See Exhibit 3.) Fifty-three percent of consumers in China and 62 percent of respondents in Brazil—around the same percentages as in 2012—agreed with that statement. In India, agreement leaped nine percentage points from 2012, to 66 percent. This sentiment was even stronger in Africa, with an average of 79 percent agreement. On average, 72 percent of consumers in RDEs and 84 percent of respondents in Africa agreed that the ability to buy new things makes them happy, compared with 56 percent of consumers in developed economies.

Still, euphoria has dampened over the past year in several economies. Our survey gauged consumption priorities for the near term in two ways. We first asked consumers whether they planned to spend more or less over the ensuing 12 months in a range of broad product categories. We then asked whether they planned to trade up to higher-value items within specific categories—for example, did they intend to upgrade their car or TV—or trade down to lower-value products.

EXHIBIT 3 | Consumerism Is Alive and Well in Emerging Markets



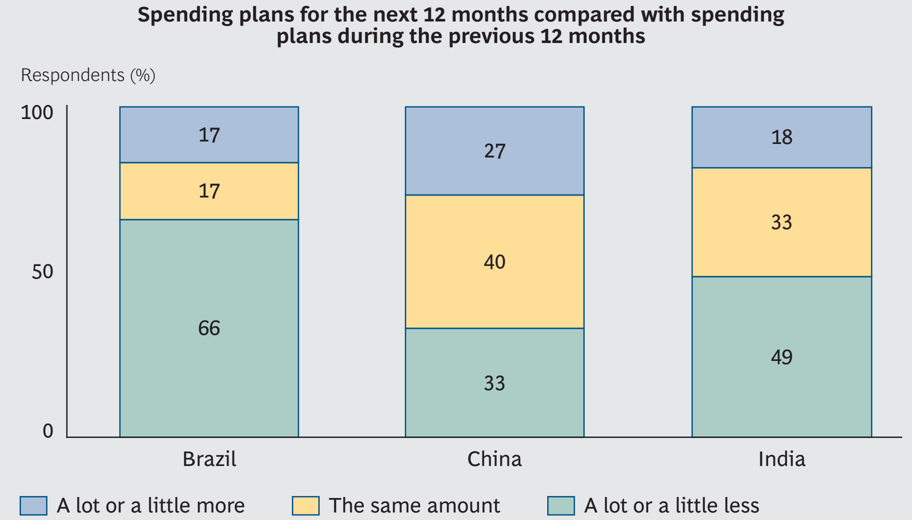
Source: BCG 2013 Global Consumer Sentiment Survey.
[1]The developed markets are Australia, Canada, France, Germany, Italy, Japan, Spain, the U.K., and the U.S.
[2]The African markets are Algeria, Angola, Egypt, Ghana, Kenya, Morocco, Nigeria, and South Africa.

Spending plans and specific priorities for trading up or down varied, highlighting the fact that the undercurrents of sentiment are flowing in different directions across RDEs—and must be navigated carefully by companies.

An Uneven Pullback. Consumers' intention to spend more and trade up remains higher in RDEs than in developed economies, although it has declined somewhat since last year.

Consumer retrenchment is likely to be strongest in Brazil. (See Exhibit 4.) Sixty-six percent of respondents said that they expect to cut spending in the near term—a 10 percentage-point jump since 2012, and a leap of 25 points since 2010. Around half said that they plan to cut spending by more than 10 percent. Only 17 percent of respondents in Brazil said that they plan to increase spending, compared with 25 percent in 2012. Sixty-two percent reported that they will trade down more in non-food categories in the subsequent 12 months—compared with 59 percent in 2012 and only 37 percent in 2011. Twenty-two percent said that they intend to trade up to higher-priced products.

Exhibit 4 | Respondents in Brazil Have the Strongest Intent to Cut Spending, While Those in China Plan to Cut Back the Least



Source: BCG 2013 Global Consumer Sentiment Survey.

The mood to tighten belts is moderate in India. Forty-nine percent of respondents reported plans to decrease spending; only 18 percent said that they plan to increase spending. While this represents some deterioration since 2011, it is a slight improvement from responses in 2012. Moreover only 9 percent of consumers said that they plan to cut back by more than 10 percent—the lowest percentage of any country surveyed, whether emerging or developed. Forty-three percent of respondents in India said that they envision cutbacks of less than 5 percent. Twenty-nine percent reported that they will trade up. Forty-two percent said that they plan to trade down, an insignificant change from 2012 but a major improvement from the 60 percent who expressed such plans in 2010.

Consumers in China are more optimistic. Thirty-three percent reported that they plan to cut spending in the subsequent 12 months, while 27 percent plan to increase spending. Though this represents a reversal from the results of our surveys of the past three years, when more respondents in China reported that they plan to spend more, 45 percent said that they plan to reduce spending by only 5 percent or less, and just 10 percent plan to cut by more than 10 percent. Thirty-four percent said that they intend to trade up in nonfood categories, while 27 percent said that they will trade down.

There was solid agreement on where consumers in RDEs plan to spend more. Fresh foods were cited by the greatest shares of consumers in each RDE—19 percent in Brazil, 37 percent in China, and 52 percent in India. Although these response levels were lower than in 2012, the preference for fresh foods in China and India remained higher than the average of 20 percent in developed economies.

When we asked consumers in which categories they plan to trade up, around half of respondents in all three RDEs cited fresh fruits and vegetables, meats, and seafood. (See Exhibit 5.)

Organic foods were cited as priorities for trading up by 36 percent of respondents in Brazil, 43 percent in China, and 38 percent in India. By contrast, consumers in most African economies put relatively little emphasis on food and beverage categories.

Why the strong emphasis on healthy and natural foods in RDEs? One likely reason is that, as incomes rise, there is a general tendency for consumers to shift away from consuming grains and to add more fresh fruits and vegetables, meat, and

Exhibit 5 | Health and Wellness Are Key Motives for Trading Up in Rapidly Developing Economies, While Consumers in Africa Focus on Necessities

	Brazil	China	India	African markets[1]
Top three categories for trading up	50 Fresh foods	51 Fresh fruits and vegetables	49 Fresh fruits and vegetables	53 Clothing, footwear, accessories
	47 Fresh fruits and vegetables	46 All or mostly natural products	48 Fresh meat and seafood	52 Health care
	41 So-called “super” foods	43 Organic food	47 Cooking oil	51 Baby, toddler products
Top three categories for trading down	88 Magazines	37 Fast-food restaurants	59 Beer	57 Chocolate, candy
	83 Shaving products	37 Luxury brands and products	53 Athletic shoes and footwear	56 Alcoholic beverages
	81 Microwave oven	35 Carbonated soft drinks	52 Fashion jewelry	55 Soft drinks

○ Respondents reporting plans to trade up or trade down in a product category (%)

Source: BCG 2013 Global Consumer Sentiment Survey.
[1]The African markets are Algeria, Angola, Egypt, Ghana, Kenya, Morocco, Nigeria, and South Africa.

fish—which generally are more expensive—to their diets. In addition, fresh foods are closely associated with improving one's own health and the welfare of one's children—both key reasons for spending more, according to our research. Health was the leading reason for trading up among respondents in Brazil (67 percent) and China (73 percent)—though another factor for trading up in China was the high concern over food safety, given the ongoing scandals about tainted and mislabeled food products.

The priorities for greater spending in categories other than food, however, differed widely by country. Respondents in China listed leisure travel and women's clothing among their top categories for increased spending. For trading up, large home appliances, automobiles, and consumer electronics were each cited by 42 percent as priorities. Personal care, clothing, and items for the home—such as décor, washers and dryers, and furniture—were also cited frequently.

In emerging markets, consumers look for technical benefits in the products they buy.

Greater portions of consumers in Brazil (38 percent) and India (45 percent), meanwhile, said that they plan to trade up in housing. This seems to suggest that, despite the recent slowdowns in these two economies, there is still big demand for better housing by families that have recently moved up the income ladder. Leading priorities for higher spending by consumers in India included air conditioners and personal computers, while clothing categories were cited most often for trading up. In Brazil, the most important categories for trading up were oral-hygiene products, travel, fitness, and autos.

Consumers in Africa more commonly reported plans to trade up for baby and toddler products, clothing and footwear, health care, home appliances, and electronics. Food and beverage products were generally cited by only around 20 to 30 percent of respondents in most of the African nations surveyed.

Cutting Back. In India, respondents said that they would cut back spending on fragrances, handbags, facial skin care, and hair and body care, while they would trade down in athletic footwear, fashion jewelry, sit-down restaurants, and watches. Consumers in China most frequently said that they plan to reduce spending on luxury brands, packaged foods, alcoholic beverages, and fashion jewelry and plan to trade down on luxury brands and fast-food restaurants. In Brazil, consumers reported plans to decrease spending in all categories aside from fresh and natural foods; restaurants, handbags, fashion jewelry, luxury brands, and snack foods led the list. Respondents most frequently cited plans to trade down in magazines, followed by luxury brands, fashion jewelry, restaurants, handbags, and hair care.

The Power of Brands in RDEs

Brands are generally more important to consumers in emerging markets than they are to those in developed economies. This is particularly true in China and India. Seventy percent of respondents in China and 67 percent of consumers in India cited "brand name and reputation" as a key reason for trading up.

When consumers in RDEs choose brands, they primarily look for technical benefits in the products they buy, such as durability and reliability. This should not be surprising. Many households in these markets are just entering the consumer class and are beginning to purchase a wide variety of products for the first time. What's more, shoppers must choose from an enormous, ever-growing selection of competing products. Known brands offer some assurance of product quality, effectiveness, durability, and safety. The comfort level offered by purchasing known brands tends to be especially high in economies where the retail environment is highly fragmented and trust in retailers is weak.

It is difficult to succeed in emerging markets without a recognized brand.

But brands are becoming more important in RDEs for other reasons as well. In Brazil, for example, 40 percent of respondents claimed that "brands say something about who I am, my values, and where I fit in." That sentiment was nearly twice as strong as in developed economies. Twenty-nine percent agreed in China. (This question was not included in our survey in India.) In the eight African countries surveyed, brand affinity is far more potent: an average of 67 percent of respondents agreed that brands say something about who they are. In Kenya, Nigeria, and South Africa, nearly 80 percent of respondents agreed.

These findings reinforce the view that it is difficult to succeed in these emerging markets without a recognized brand. They also suggest that branding strategies used in developed economies do not necessarily need to be simplified for emerging economies, such as by focusing only on functional benefits. Building an emotional connection is becoming important because emerging-market consumers are increasingly looking to brands to help them express their own personalities and values.

Still, it's not too late for companies to build strong brand presences in RDEs if they haven't done so already. Although our survey found that established brands are preferred in much of Africa, this was not the case in many large, more developed RDEs. Less than half of consumers in Brazil, and only 28 percent of respondents in China, felt that, all things being equal, the best brands are the ones that have been around the longest. Our experience suggests that the same is true in India.

Calibrating an Approach to Emerging-Market Consumers

Understanding the balance between short-term caution and longer-term optimism is essential for companies as they recalibrate their brand strategies and business expectations for key emerging markets. Some of the most important guidelines are as follows:

Don't overreact to today's news. Companies should not base their brand and investment strategies in emerging markets on weekly, monthly, or even quarterly bumps in sentiment. They should plan for volatility and fluctuations in demand. While companies should of course adjust their short-term budgets to realities, they should remain focused on longer-term demand trends—just as consumers themselves appear to be doing in RDEs.

Pay attention to the underlying trends in each market. RDEs are currently growing at different speeds, facing fresh challenges, and developing new centers of demand. It is more important than ever, therefore, for companies to avoid pursuing a global, or even regional, emerging-markets strategy. As in richer nations, consumers in emerging economies are becoming more pragmatic and selective about which product categories deserve greater shares of their household budgets. Because these preferences and priorities can differ sharply from one market to the next, companies should align their brand strategies, brand and product portfolios, communications, go-to-market plans, and operations to the nuances of each market.

Focus on building brands. Even though known brands have an advantage in emerging markets, companies should remember that these markets remain highly dynamic. There are still huge opportunities to establish new brands and reposition old ones. In Brazil, China, and India, companies must continue to invest aggressively to develop brand loyalty. In Africa, where millions of people are in the market for certain goods for the first time, building a brand presence is often a more urgent priority. One way to accomplish this is to introduce consumers to brands with products at attractive prices. It is also important to remember that emerging-market consumers increasingly expect more than just technical benefits from brands. Companies should therefore consider stressing values such as quality, social responsibility, and contributions to economic development that may resonate with target markets in their messages.

Develop local capabilities. To win competitive advantage in specific RDEs, most companies need a broader and stronger set of capabilities to reach and engage different consumer segments, such as local expertise in consumer research, marketing, product development, and a mix of local and regional commercial organizations. Companies should be able to locally develop, source, and—in some cases—manufacture products relevant to specific markets. With new concentrations of affluent consumers emerging in lower-tier cities in Brazil, China, and India, companies also need distribution channels, operations, and partnerships capable of penetrating these new centers of demand.

The consumer boom may be cooling for now in many emerging markets. But the winners over the long term in the world's biggest growth markets will be companies that keep their eyes clearly focused on the prize.

NOTE

1. The eight African economies are Algeria, Angola, Egypt, Ghana, Kenya, Morocco, Nigeria, and South Africa. The nine developed economies are Australia, Canada, France, Germany, Italy, Japan, Spain, the U.K., and the U.S.

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