Capturing the Opportunity in Emerging and Growth Markets
Companies face new challenges doing business in fast-growing markets such as Asia Pacific and Latin America. Speed of execution and a flexible business model are key differentiators.

Companies in a variety of industries — notably consumer products and goods — are looking to expand their presence in the Asia-Pacific and Latin America regions, as emerging markets in countries such as China, India and Brazil continue to see huge increases in demand, while growth remains sluggish in Europe and the U.S.

Entering these emerging markets can be a challenge, however, requiring new ways of thinking about business and IT. Companies will need to reorient their perspective, because what works in the U.S. and European markets might not work in Asia. For many organizations, the key to success will be to partner with a systems integrator and outsourcing provider that thoroughly understands these markets and the challenges they present.

EMERGING MARKETS ON THE UPSWING

A report by Forrester Research, covering the outlook for the technology market in the Asia-Pacific region for this year, forecasts 8 percent growth of technology purchases for 2012 compared with the year before. The firm cites that as evidence of relatively strong demand by businesses and governments, even in the face of economic weakness in other parts of the world.

Asia-Pacific software spending will also grow by 8 percent in 2012, Forrester predicts, as more developed countries purchase a range of software to automate business processes and less-developed markets, such as China, India and Southeast Asia, mainly buy software in categories such as enterprise resource planning and database management.

The latest tax and price index (TPI), which tracks the global sourcing market and was released in Oct. 2012, also indicates substantial growth in the Asia-Pacific region. The average contract value for sourcing in Asia Pacific is surging during year-to-date 2012 compared with 2011, up 72 percent to $2.4 billion, and up substantially in the third quarter compared with the same period a year earlier.


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The research firm Gartner also predicts growth for IT in these regions. Fast growth markets, such as Brazil, Russia, India, Mexico and China, will spend $1.22 trillion on IT in 2012, which accounts for more than 31 percent of global spending, according to Gartner. 3 While professional and consumer market opportunities can be found in many emerging markets, the firm says, Brazil, Russia, India, Mexico and China continue to perform strongly, and this is where more than half of emerging markets’ IT spending will be concentrated in 2012.

According to leading global IT and business solutions provider Wipro Technologies, well-known consumer goods companies such as Coca-Cola, Estée Lauder, Nestlé, Procter & Gamble, Reckitt and Unilever have recently made significant moves and investments to differentiate in these emerging markets.

For example, Coca-Cola is aiming to recruit new consumers as a means of driving growth in India. The company has detailed robust plans to capture growth in India with investments in innovation and expansion of its distribution network. It has invested $5 billion in India. The company opened its largest production facility in China, spanning more than 170,000 square meters.

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http://www.gartner.com/it/page.jsp?id=1972516
an area of more than 170,000 square meters. The plant represents a $160 million investment in China and is part of a three-year, $4 billion investment plan that underscores Coca-Cola’s confidence in China and its fast-growing beverage market.

PepsiCo is also active in China, opening a new production facility with the capacity to produce about 15,000 tons of Lay’s potato chips annually.

Another company, Nestlé, is investing $138 million in a dairy facility in Chile.

“In fact, many of the major consumer goods companies that Wipro works with are experiencing flat or slow growth in the U.S. or Europe but exponential growth in Asia-Pacific or Latin America regions or both,” says Hiral Chandrana, Global Business Head, Consumer Goods, at Wipro Technologies. “Successful organizations are focused on creating brand differentiation, building strong talent pools, acquisitions and partnerships, along with customized plans for trade, channels and marketing.”

“They might be more or less flat or maybe even be growing in some cases in the U.S. or Europe, but it is definitely on a very fast growth pattern in these emerging markets,” Chandrana says.

For example, Procter & Gamble is moving aggressively in the fast-growing Chinese market. P&G recently began construction of a new manufacturing facility in Guangzhou, China, and is likely to add 20 new manufacturing units in Brazil, China and Eastern Europe by 2015. Emerging markets are the key growth driver for consumer goods companies, with more than 75 percent of the incremental sales from here. For example, Unilever expects to generate about 70 percent of its revenue from emerging markets by 2020.

A SHIFT IN STRATEGIES

The emerging markets present both opportunities and challenges for companies. Those that are entering these new markets for the first time need to refocus their perspective in certain ways. Without a full understanding of the business landscape and localization needs awaiting them in these markets, companies are not as likely to enjoy business success.

One challenge is that the business models in these markets differ from those in Europe and the U.S. Companies must localize their business and marketing approach in different countries with agility — in a pick-and-play fashion — within the global brand guidelines and code.

“There’s a need for localization, whether it’s in the brand message or in the product design or from an IT perspective,” says Rainer Duespohl, CIO, Asia, for VF Corporation, a $9 billion apparel and footwear leader that foresees double-digit growth in Asia. “If you look at e-commerce in Europe, with the European harmonization, everything’s on the euro. It doesn’t work equally in Asia,” Duespohl says.

When doing business in Asian markets, companies need to have input on the business and IT strategy from people who are already in Asia and understand the markets,
Duespohl says. That’s especially true for companies that have traditionally focused on U.S. and Western European markets.

Consumers in Asia have different expectations and preferences about how and where they purchase goods, depending on where they live. For example, many of the customers VF is going after in China are in a younger demographic, so the company has made sure to leverage platforms such as e-commerce and social media to reach them.

“In China, the e-commerce market is starting up aggressively,” says Duespohl, “with consumers going online to buy products much as people in the U.S. do.”

On the other hand, in Hong Kong many people buy products at traditional retail stores located in shopping malls, rather than shopping online, according to Duespohl. “Shopping behavior in Hong Kong is really about going out. It’s part of shoppers’ lifestyles and a source of entertainment,” he says.

Chandrana notes that successful companies will find ways to create new categories, manage various channels and build local leadership to grow exponentially in emerging markets.

“You have to innovate your products, you have to innovate in terms of supply chains, you have to innovate in terms of how you sell [or] market to those customers, you have to understand and be able to predict the buying behavior and target the right set of consumers,” Duespohl says.

**DISRUPTIVE TECHNOLOGY TRENDS**

Companies also need to consider the impact of technology trends such as the consumerization of IT, increased mobility, digital marketing and social media. They may need to build a more robust and flexible infrastructure to support the rapid growth in these areas.

Often, the IT organization and infrastructure are less mature in Asia than in Europe or the U.S., and this element can have significant implications for doing business in these markets. There might be challenges in transforming the IT organization to meet the demands of local markets.

“You need to put IT platforms in place to operate the business,” Duespohl says. “VF invested in the resources, including hiring the right people, that it needed to create an IT infrastructure that would enable the company to succeed in Asia.”

Among the first things VF focused on in its move to Asian markets was establishing the kinds of application sets, including mobile applications, that business users need to operate in the new regions.

IT teams work directly with people in marketing, sales, retail and other areas to find out what users need and to collaborate on solutions. “And when we roll out
[applications], we test directly with the end users to make sure the apps meet their needs," Duespohl says.

The IT preparation work includes ensuring the localization of applications and infrastructure to meet the needs of fast-growing markets.

**SELECTING THE RIGHT PARTNER**

As businesses seek to enter these markets profitably, to benefit from partnering with companies such as Wipro that offer systems integration and consulting services that can help companies more quickly prepare for the demands of these markets.

Wipro has expertise in three key areas: running the business, changing the business and co-innovation, according to Chandrana. Running the business includes managing and supporting applications, infrastructure and business processes. Changing the business is more along the lines of a broad transformation, and creating business partnerships with customers to improve areas, such as marketing, analytics and digital services. In the third area, co-innovation, Wipro establishes an innovation council where customers can bring in business and IT experts to jointly create innovative projects in areas that are important to the customer.

VF understands the value of partnering with a global solutions provider that has an understanding of emerging markets. A global IT provider has the reach to develop expertise in various countries, including overcoming language barriers and cultural differences, Duespohl says.

The stakes are high. Companies can work with Wipro to ensure that they are making the necessary moves in areas such as supply chain optimization, integrated trade and marketing, analytics and insights, mobility and digital transformation.

The key to success is being prepared to meet the IT and business challenges that will inevitably come. Working with a strong partner that understands the emerging markets could be a huge competitive advantage where speed and flexibility become differentiators for global organizations.
ABOUT Hiral Chandrana

Hiral Chandrana is Global Business Head for Consumer Goods, at Wipro Technologies, with end-to-end P&L responsibility including solutions, delivery, sales and new markets. This includes food, beverage, apparel and footwear, household goods, personal care, agriculture and tobacco industries across all service lines in Wipro.

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