



How to be successful in tomorrow's markets?

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Agenda

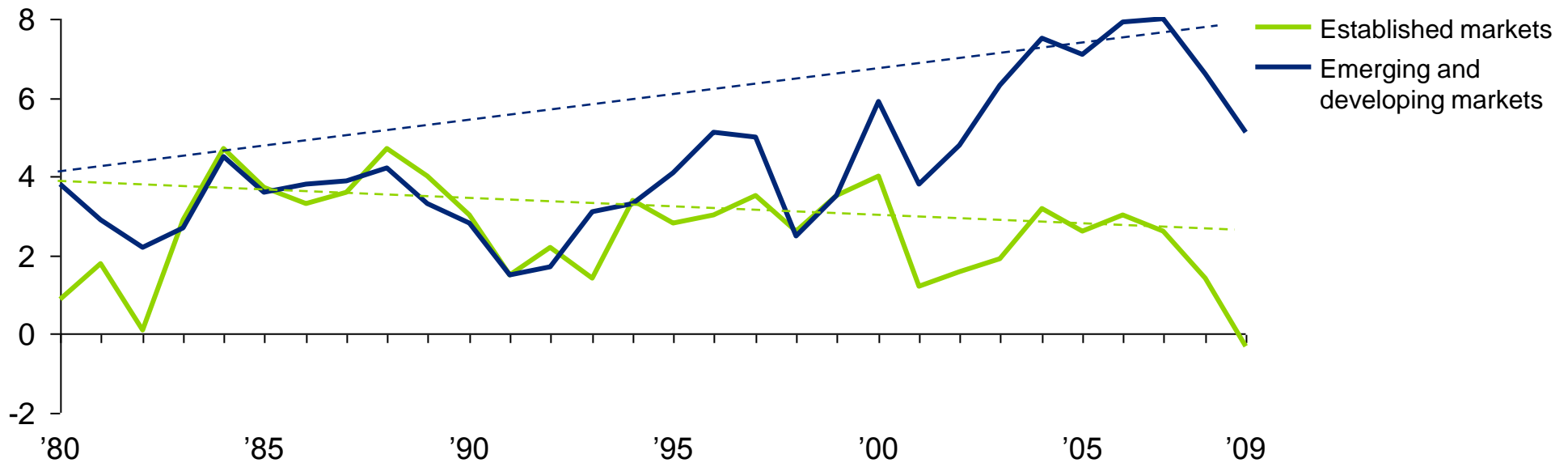
Tomorrow's markets structurally outperform established markets - branded manufacturers increase focus

Success models in emerging markets are based on brand equity, distribution power, risk and talent management

Therefore an integrated and holistic approach is a prerequisite for capturing tomorrow's markets

Tomorrow's markets structurally outperform the established markets, even in the current economic slowdown...

Real GDP growth and trend (% change)



Tomorrow's markets and the crisis

- Slowdown in economic growth
- Shift in global consumer spending growth

Source: IMF November 2008; Deloitte research

...explaining why branded manufacturers increase focus on tomorrow's markets

Selected News Items

"Consumer products maker **Procter & Gamble Co.** says **profit** rose nearly 9% in its fiscal first quarter, boosted by **strong growth in emerging markets**"

29 October 2008, The Associated Press

"The **average growth** of the turnover of all emerging markets was last year **17%**"

21 January 2008, **Philips**

"The real **risk** for investors is **missing the boat** for another 10 years, as many have over the last decade"

5 October 2008, Financial Times

"**Coca-Cola** credits **emerging markets** for **high earnings** during global crisis"

12 November 2008,
www.arabianbusiness.com

"**PepsiCo** plans to spend \$US1 billion in **China** over the next four years, its largest **investment** so far in one of its **fastest-growing** markets"

November 4 2008, Wall Street Journal

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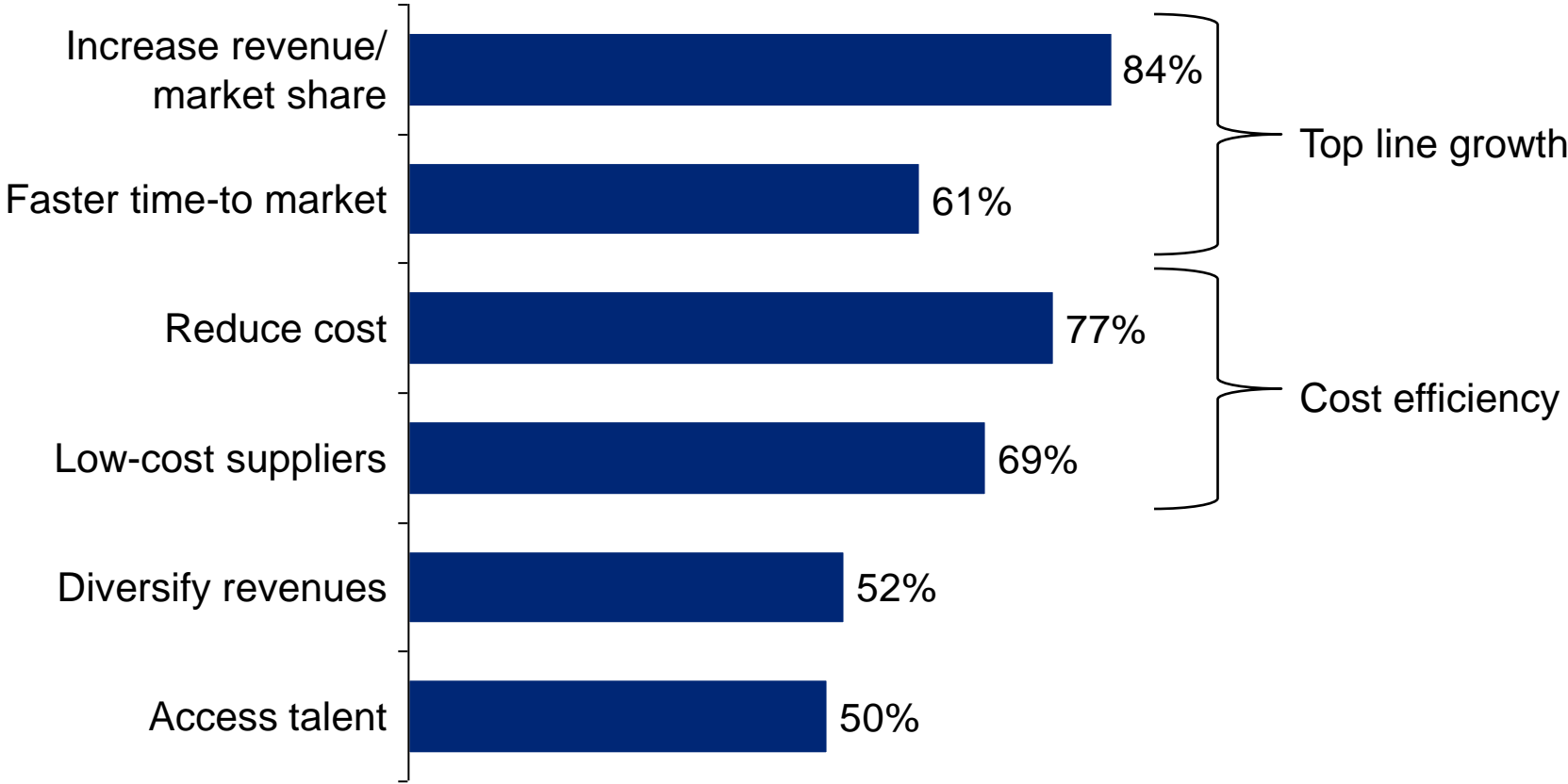
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Branded manufacturers aim to achieve top line growth and cost efficiencies in tomorrow's markets ...

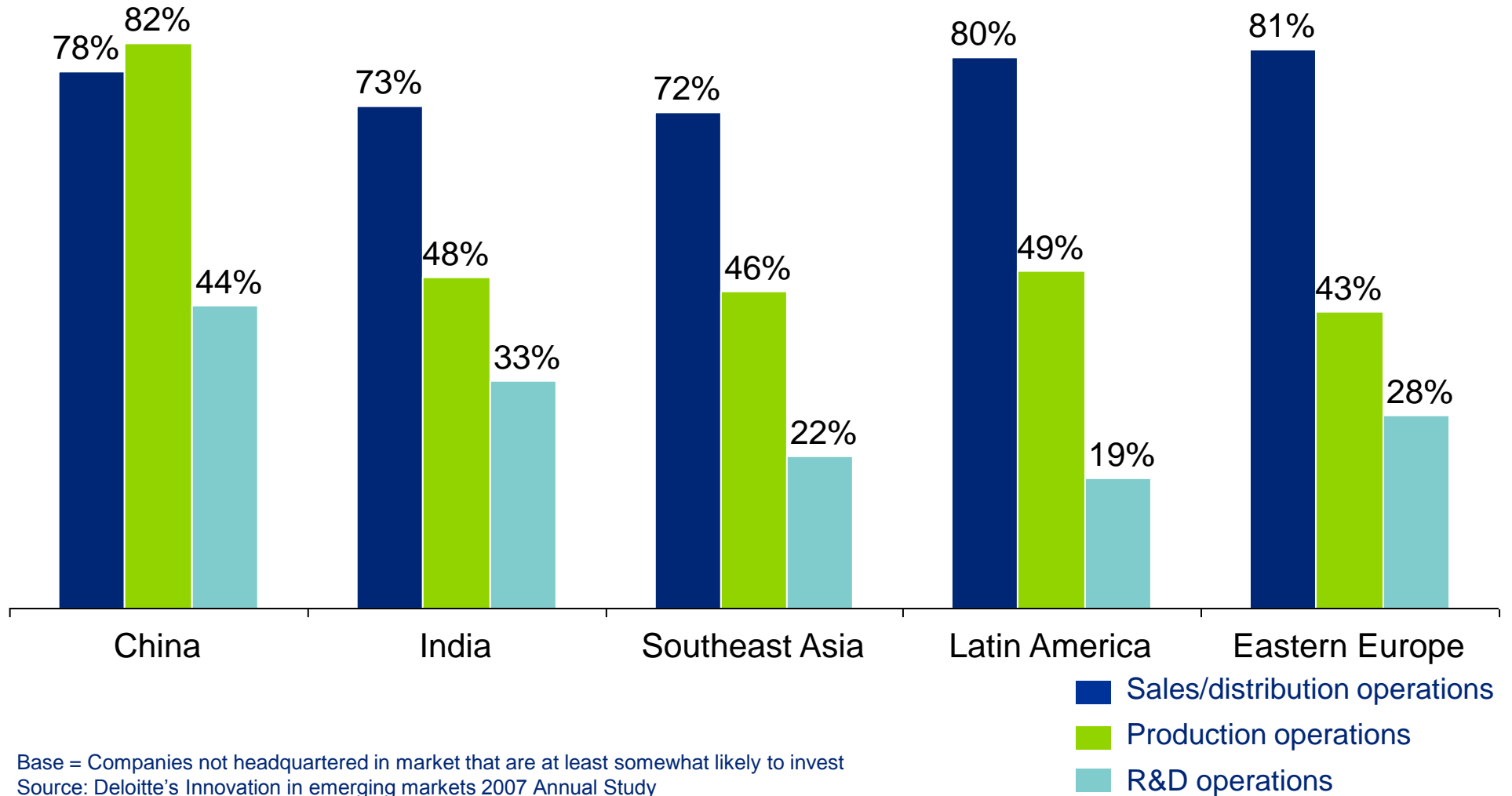
Reasons for investing in emerging markets



Source: Deloitte's Innovation in emerging markets 2007 Annual Study

... as future investments are focused on sales and production

Expected types of future investments



Best practice companies leverage their brand equity, create distribution power and focus on talent and risk management

Coca Cola	Nokia	Johnson & Johnson
<p>“Every corner of the world, you will find Coca-Cola”</p>	<p>“Think globally, act locally“</p>	<p>“Success in emerging market starts with the optimal operating model”</p>
<p>1. Channel strategy</p> <ul style="list-style-type: none">▪ Bottom up distributor approach	<p>1. Marketing/brand/product effectiveness</p> <ul style="list-style-type: none">▪ Product simplification	<p>1. Operating model</p> <ul style="list-style-type: none">▪ Local responsibility; corporate guidelines
<p>2. Merger & acquisitions</p> <ul style="list-style-type: none">▪ Acquisition/JV with strongest distributors	<p>2. Channel strategy</p> <ul style="list-style-type: none">▪ Expand nationally with regional coverage	<p>2. Talent management</p> <ul style="list-style-type: none">▪ Global development program for EM mngnt
<p>3. Marketing and brand effectiveness</p> <ul style="list-style-type: none">▪ Localised campaigns	<p>3. Risk management</p> <ul style="list-style-type: none">▪ Full P/L in local currency	<p>3. Risk management</p> <ul style="list-style-type: none">▪ Structurally embedded

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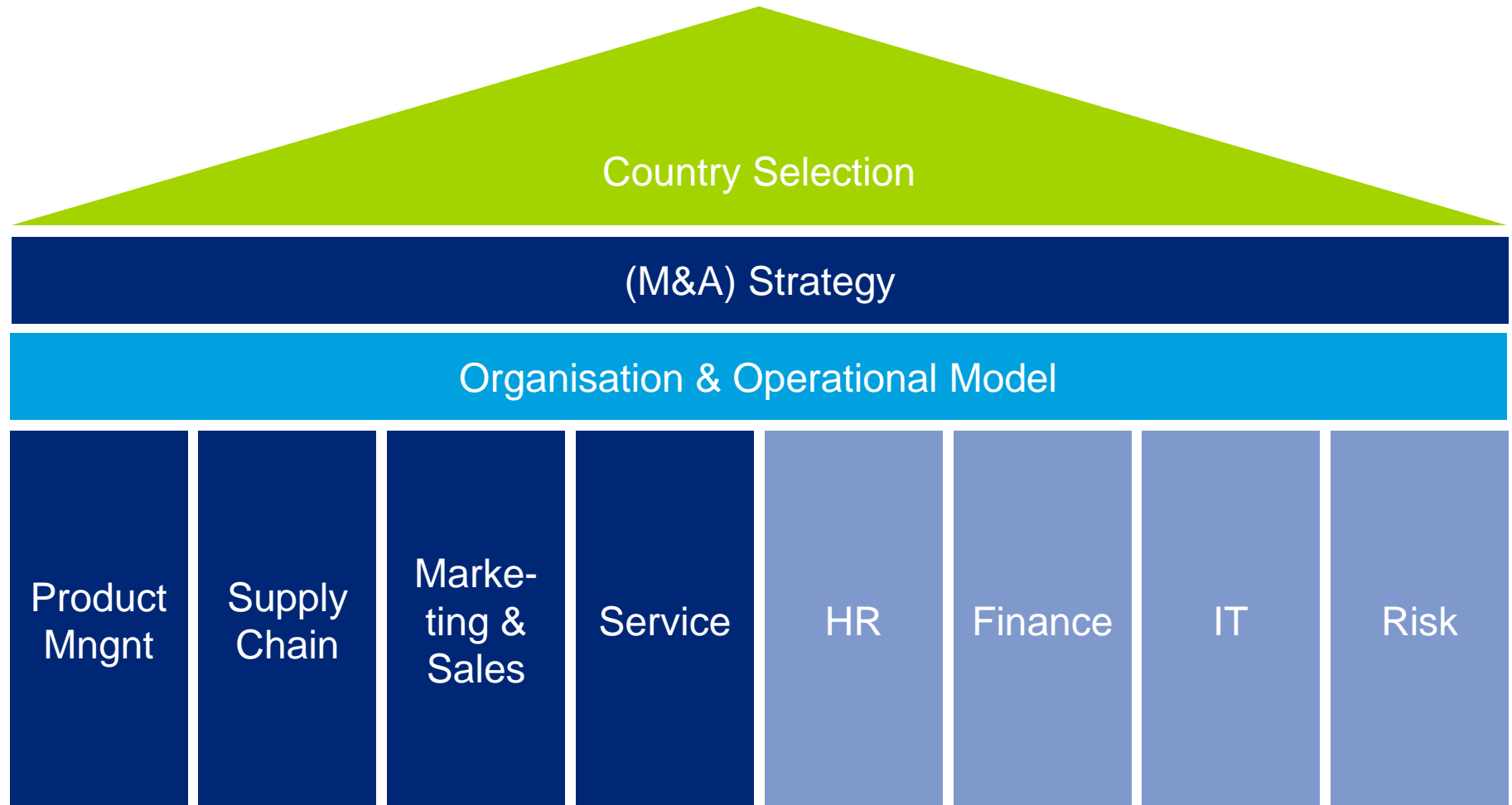
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Capturing tomorrow's markets requires an integrated and holistic approach

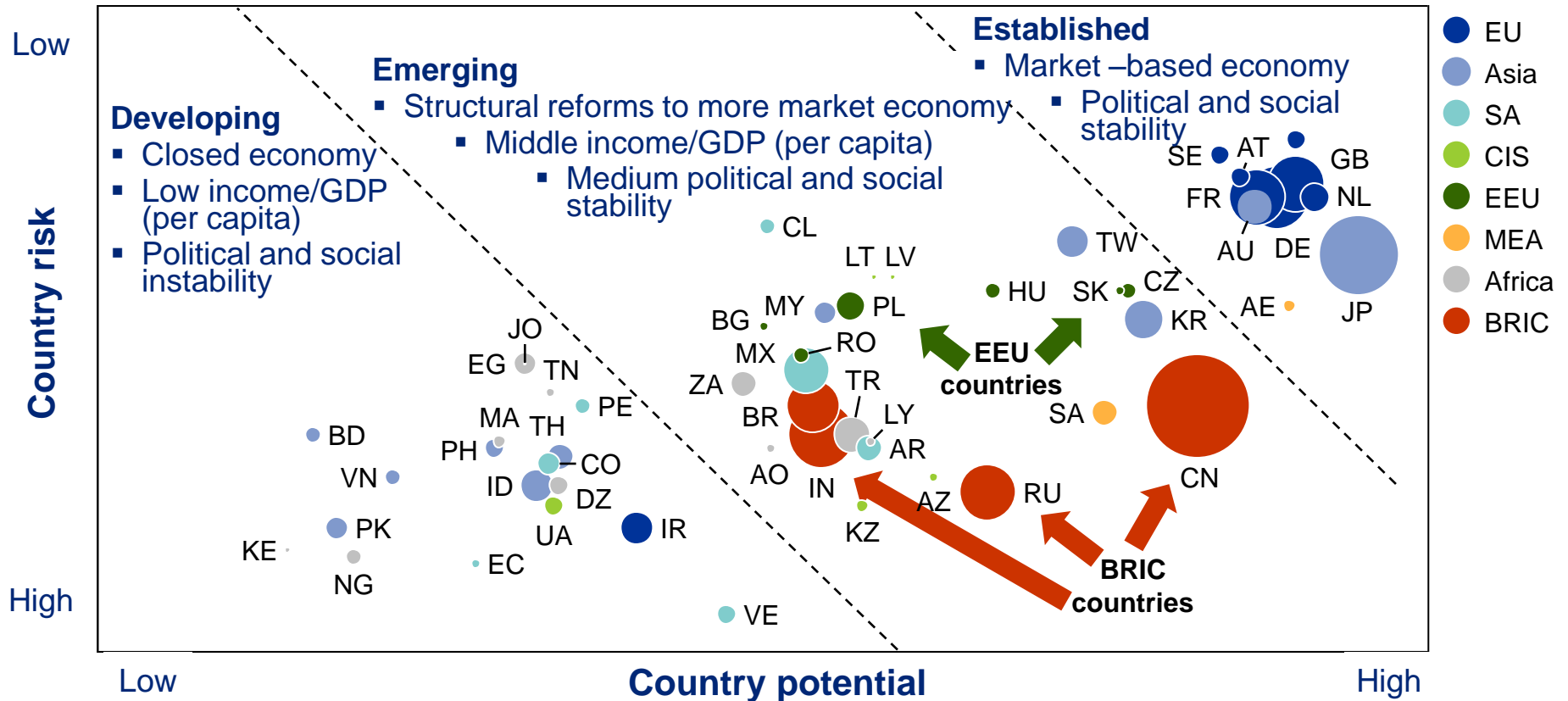
Focus areas



Countries can be prioritised based on country potential and risk...



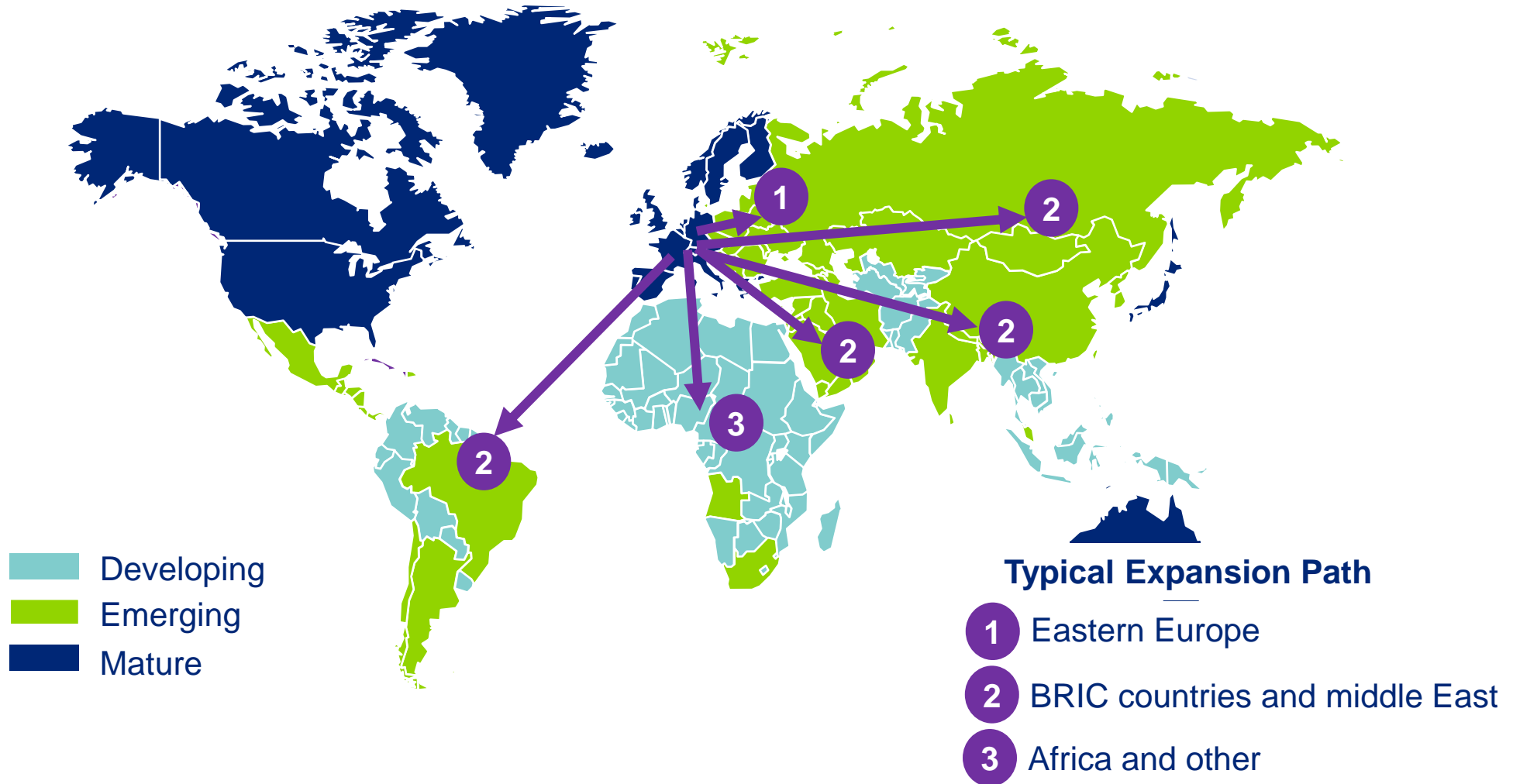
Prioritisation markets



Source: EIU; World Bank; Deloitte analysis

○ = \$1.200 bn total GDP

... from a European perspective the capturing sequence roughly is 1. Eastern Europe, 2. BRIC/ME countries and 3. Africa and other



Source: EIU; World Bank; Deloitte analysis

A comprehensive country strategy requires a deep insight in market / channel, competition and consumers

The approach to market & channel strategy

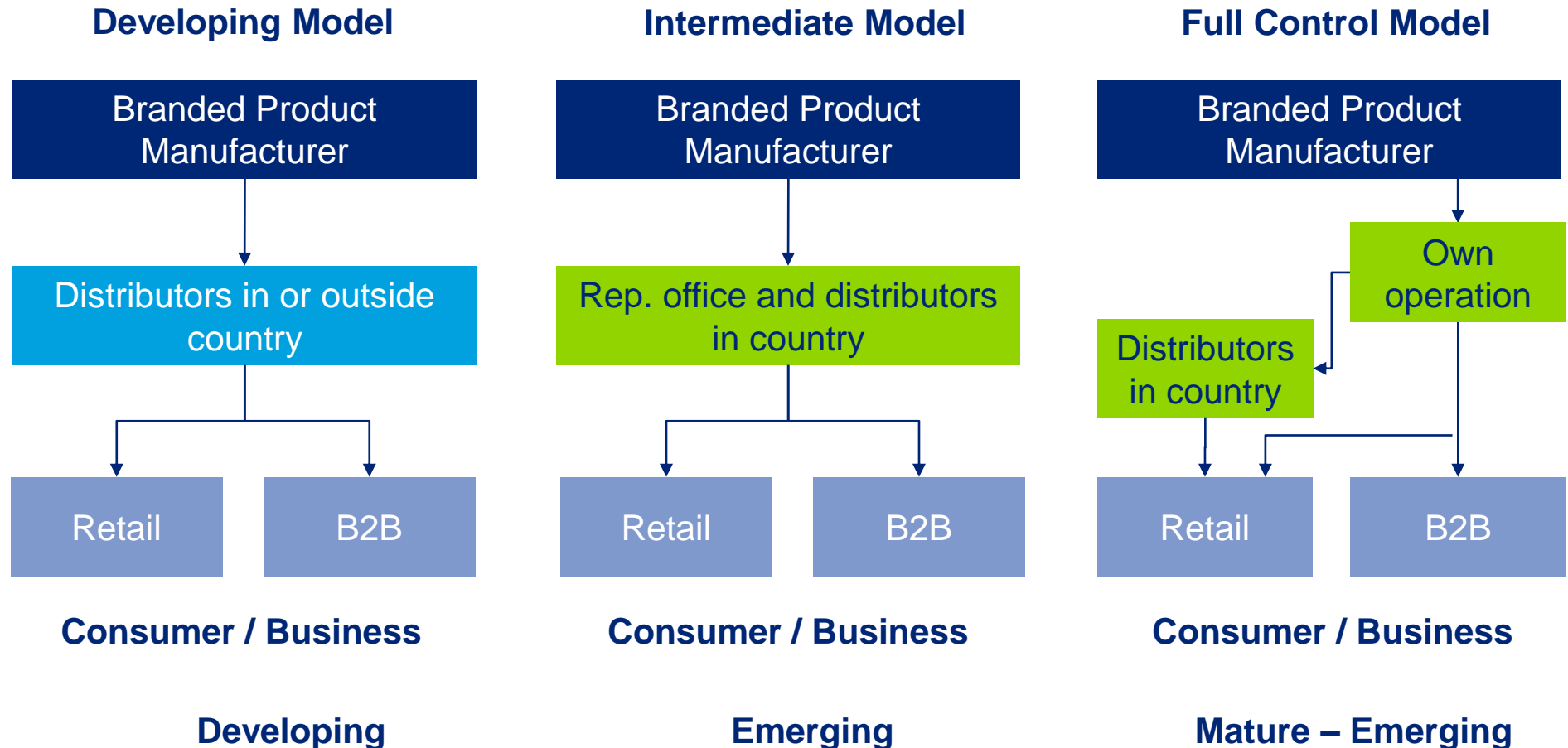


In more mature markets branded manufacturers typically take more control



Possible distribution models

Increasing Market Maturity →



Successful branded manufacturers in general leave marketing/sales/service locally, whilst centralising support functions



Role HQ

Example Operating Model

Decentralised approach



Centralised approach

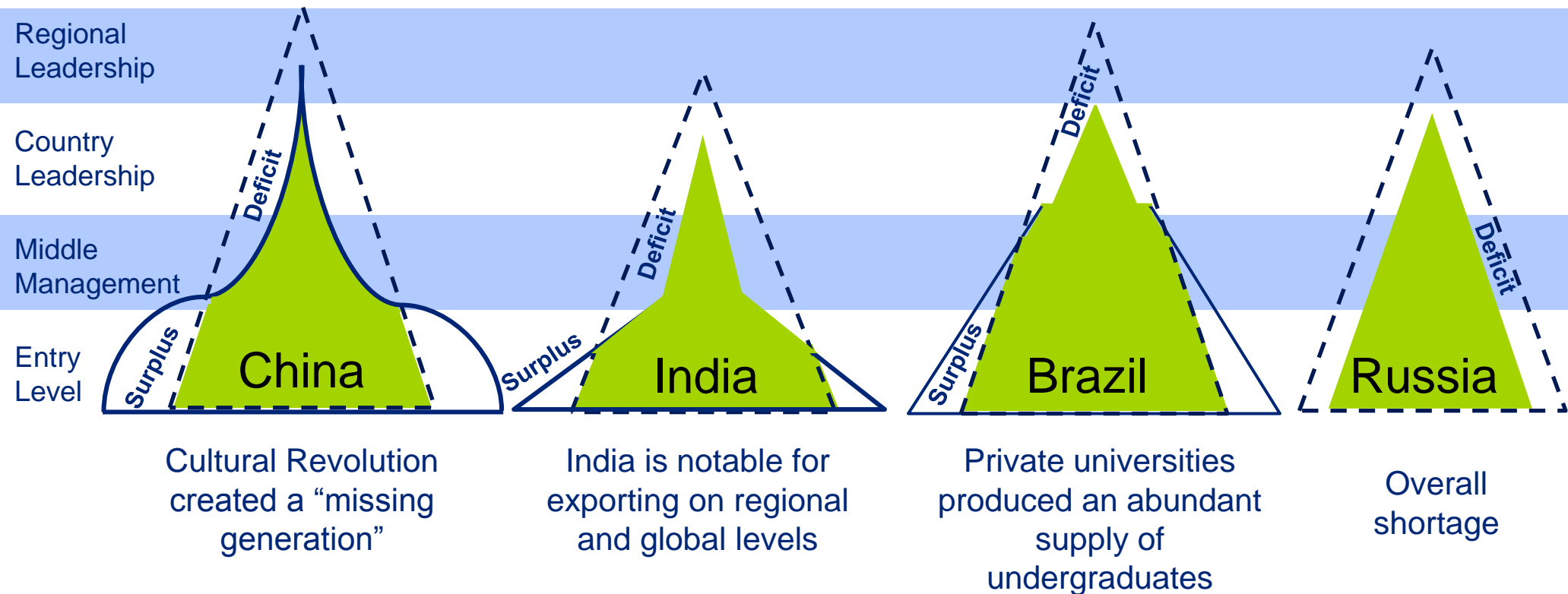


Talent management is a critical success factor in tomorrow's markets where management potential is limited



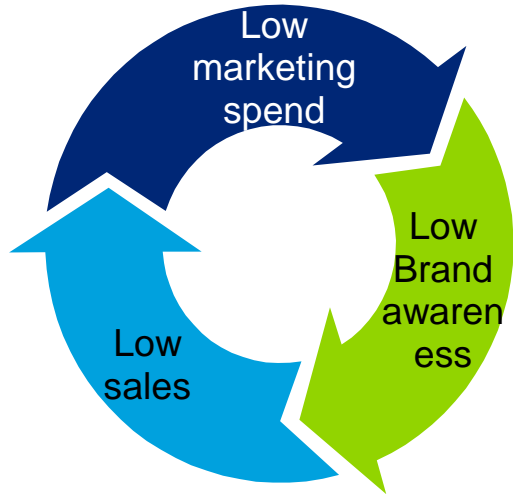
Talent situation in BRIC countries

----- Talent Demand
————— Talent Supply

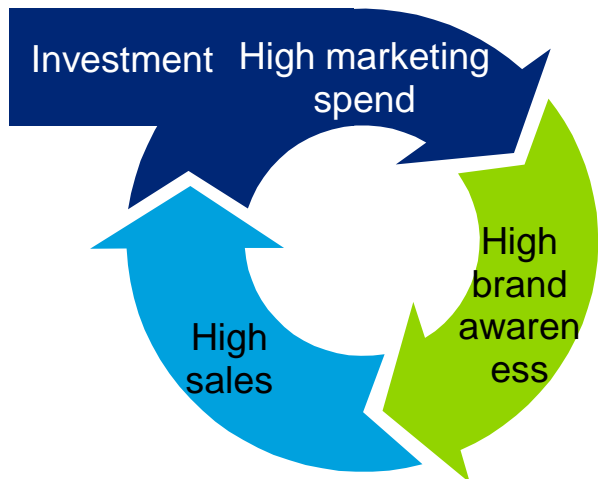


Marketing investments are required to leverage the brand and break through the vicious circle

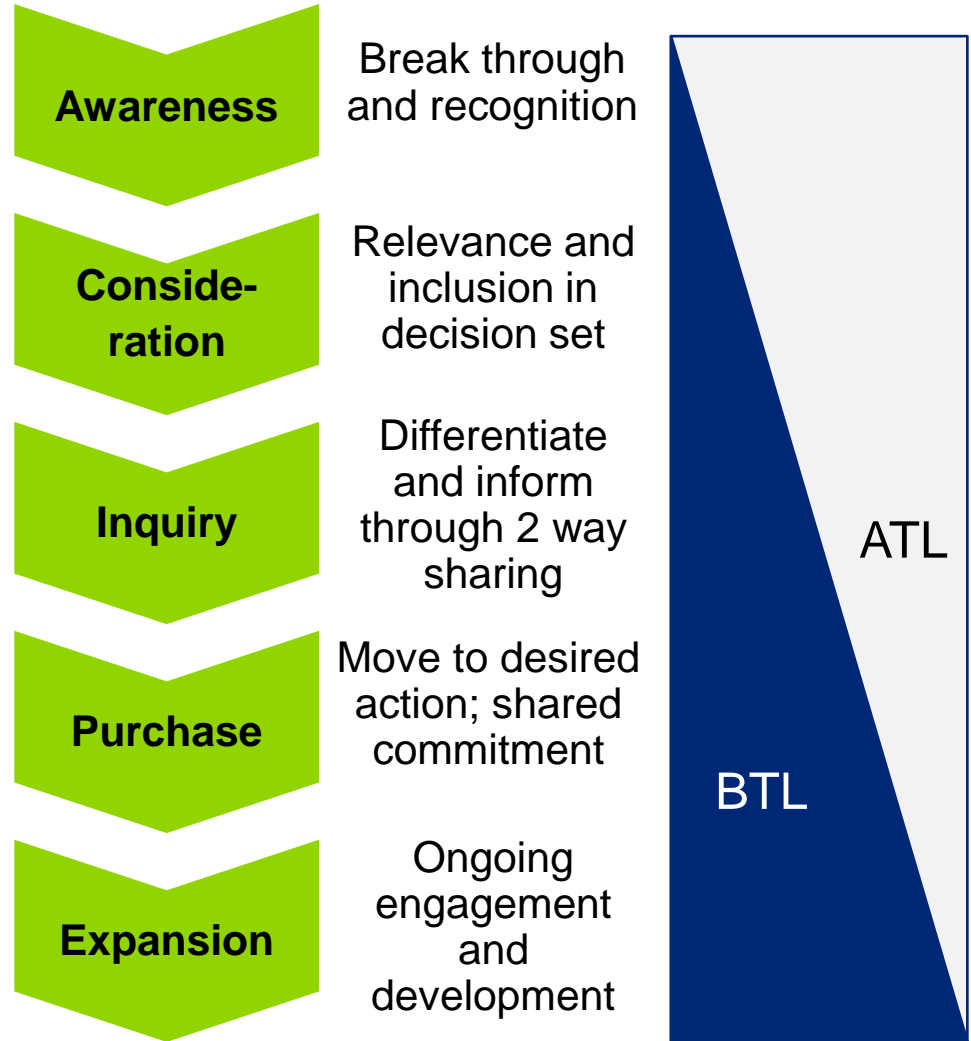
Vicious cycle



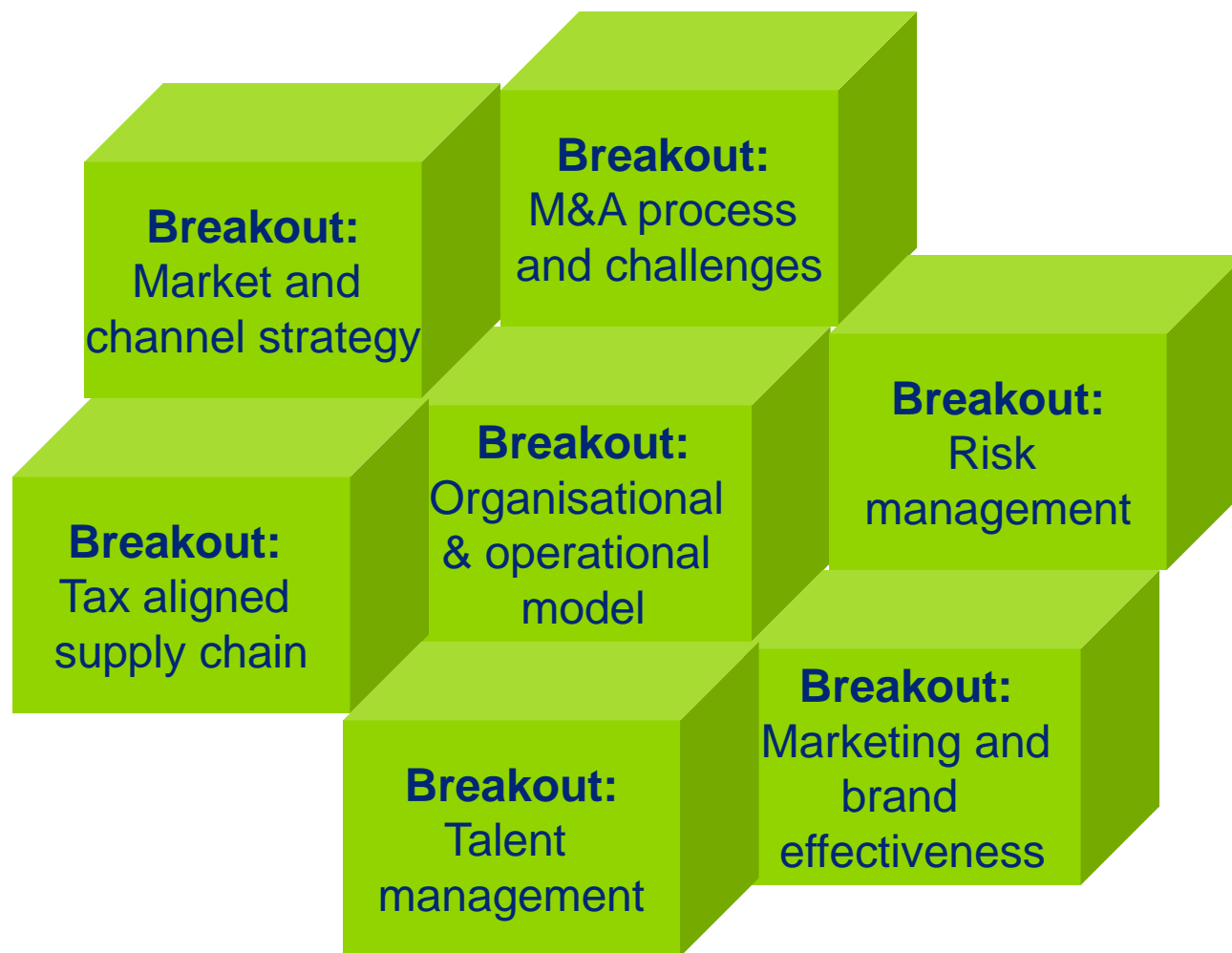
Virtuous cycle



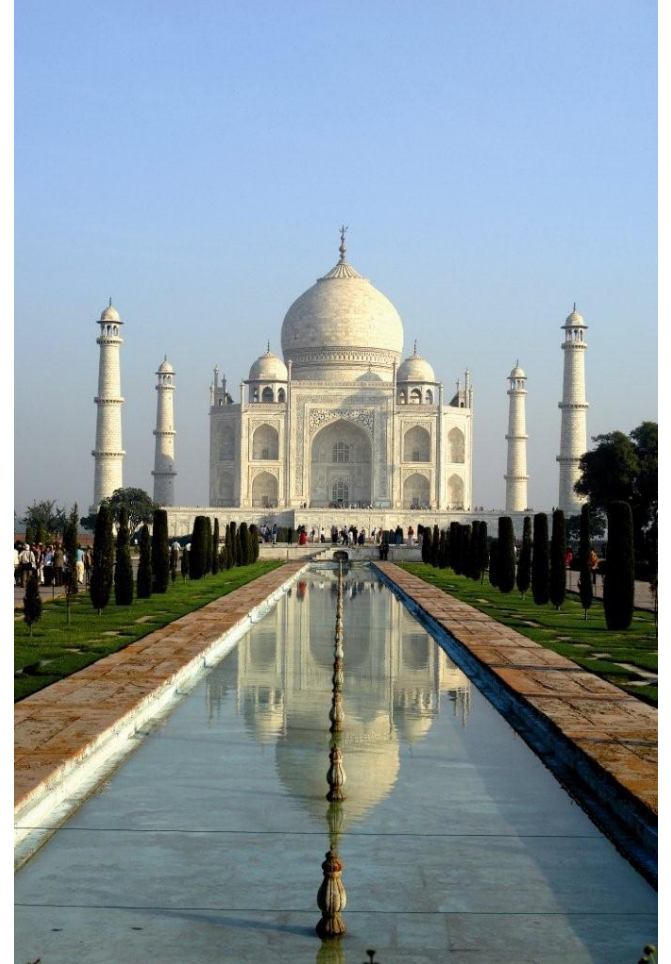
Brand state



This afternoon the different breakouts will provide ample detail on the specific topics



Thank you.



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