

AN EXECUTIVE SUMMARY OF A NEW BOOK ABOUT THE BIGGEST
GROWTH OPPORTUNITY IN THE GLOBAL CONSUMER BUSINESS

THE \$10 TRILLION PRIZE

Captivating
the Newly Affluent
in China and India

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HARVARD BUSINESS REVIEW PRESS



CHINA AND INDIA COMBINED
WILL ADD UP TO A \$10 TRILLION
CONSUMER MARKET BY 2020.
COMPANIES THAT SEIZE THE
OPPORTUNITY CAN DRIVE
GROWTH IN CHINA AND INDIA—
AND IN THEIR HOME MARKETS
AS WELL.

Why this book, after so many others about China and India?

Because none of the other books has focused on the vital force that will transform these countries, their economies, and the global marketplace in the decade ahead: *the new consumers*.

No one has written in detail about these consumers' hopes, dreams, and ambitions. No one has drawn the complete picture—with all the facts about rural and urban communities, the rich and poor, and the burgeoning middle class.

The \$10 Trillion Prize draws that picture.

For the first time anywhere, we calculate the actual size of the Chinese and Indian consumer markets.

We provide deep insight into the hearts, minds, and aspirations of consumers, entrepreneurs, and business leaders in both India and China.

Then we show you how companies can capitalize on these major new opportunities—in China, in India, and at home.

— Michael J. Silverstein
Abheek Singhi
Carol Liao
David Michael

The Boston Consulting Group (BCG)



WHAT YOU'LL LEARN IN
THE \$10 TRILLION PRIZE



- **The Size of the Prize:** By 2020, China and India will be a \$10 trillion market for consumer goods and services. The upside could be even higher if consumers decide to tap credit and savings.
- **The Triple Crown:** The winners in China and India can take the lessons home and win there, too.
- **Paisa Vasool or “Money’s Worth”:** You’ll learn this approach in China and India, then use it to win the hearts and minds of consumers around the world.
- **The Boomerang Effect:** The consumer boom in China and India will cause volatility in commodity prices. This, in turn, will spark inflation and hypercompetition for these commodities—and the products that depend on them—in your home market.
- **The Accelerator Mindset:** Business leaders in China and India are formidable competitors with a fierce work ethic, big ambitions, and a highly determined, can-do attitude—they start with a clean slate and then insist on exponential growth. They aren’t beholden to anyone and have ready access to capital.
- **A Bright Future:** The decline of the West isn’t inevitable. The consumer revolution in China and India can inspire tremendous new waves of competition, collaboration, and innovation, and lead to better times for everyone. Yet this opportunity needs to be captured. It will not fall into your hands without a plan, effort, and step-by-step programs.

THE CONSUMER REVOLUTION IN CHINA AND INDIA IS UNPRECEDENTED

- By 2020, there will be nearly 1 billion middle-class consumers in China and India—320 million households. Consumer spending will triple—reaching \$6.2 trillion annually in China and \$3.6 trillion a year in India. *That's* the \$10 trillion prize.
- Chinese born in 2009 will consume 38 times more than those born in 1960. Indians born in 2009 will consume 13 times more than those born in 1960.
- The newly affluent are driving the upsurge. In both China and India, runaway growth in the middle and upper classes will fuel the consumer boom.

Consumer spending in China and India: the \$10 trillion prize

We forecast consumption of \$6.2 trillion in China and \$3.6 trillion in India by 2020.

	China		India	
	2010	2020	2010	2020
Real annual GDP growth		8%		8%
Consumer spending at current prices (\$ billions)	2,036	6,187	991	3,584
Population (millions)	1,334	1,383	1,200	1,333

Sources: Euromonitor, Countries and Consumers, Economy and Finance, Consumer Behavior, Population and Homes; BCG analysis.



Note: Consumer spending is projected to grow at the same rate as GDP.

DID YOU KNOW?



- In 2000, there were 8 Chinese companies and 1 Indian company in the *Fortune* 500. By 2010, there were 46 Chinese companies and 8 from India.
- China already has three of the world's top ten companies by market value.
- In 2001, China had 1 billionaire, and India had 4. Today, there are 115 billionaires in China and 55 in India.
- Seven of the world's 13 richest self-made women are from China.
- Eighty-three million Chinese and 54 million Indians will become college graduates in the current decade, versus 30 million in the United States.
- China spends \$300 billion annually on public education—second only to defense.
- Individual calorie consumption will rise 10 percent in both China and India by 2020.
- By 2015, the Chinese will be the biggest e-shoppers in the world. There will be 356 million Chinese shopping online, and they will spend more than \$360 billion.
- By 2015, three-quarters of the Indian population—nearly 1 billion people—will have cell phones. Up to \$350 billion in payment and banking transactions will flow through those phones—more than the total Indian credit- and debit-card market today.
- By 2016, the home loan market in India will reach \$480 billion.
- In 2020, China will be the top luxury market in the world—\$245 billion.

CHINA AND INDIA ARE ALIKE... AND DIFFERENT

The two countries are taking steps to drive productivity and personal income.

CHINA 	INDIA 
<p>Embracing market forces</p> <p>Investing in infrastructure</p> <p>Embracing trade and foreign investment</p> <p>Enforcing private-property rights</p> <p>Educating the workforce—women as well as men</p>	<p>Promoting competition and dismantling the “license raj”</p> <p>Cutting the cost of import licenses</p> <p>Removing protectionist measures and courting foreign investment</p> <p>Launching a privatization program; selling off government stakes in state enterprises</p>

But there are also differences:

CHINA 	INDIA 
<p>"One child" policy</p> <p>A history of autocracy</p> <p>A culture that favors speed and authority</p> <p>New capital markets that sometimes lack safeguards</p> <p>Central role of state capitalists drives growth</p>	<p>Large families</p> <p>A tradition of democracy</p> <p>Cultural diversity that generates choice</p> <p>Older, more stable capital markets</p> <p>Central role played by private entrepreneurs in driving growth</p>



CHINESE AND INDIAN CONSUMERS ARE MUCH MORE OPTIMISTIC THAN WESTERN CONSUMERS. BCG'S RESEARCH SHOWS WHY.

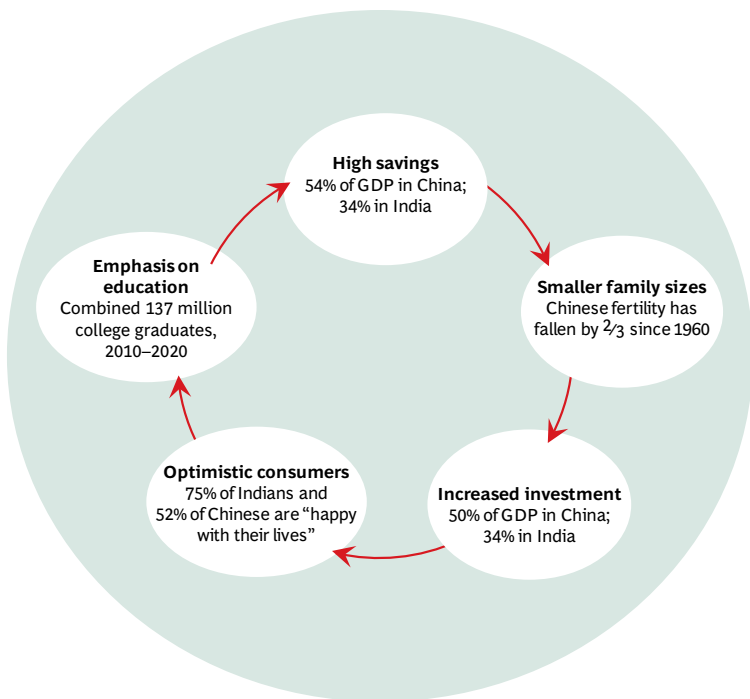
The hallmarks and driving spirit of Chinese and Indian consumers include **ambition, energy, confidence, and optimism**. BCG's 2011 survey of 24,000 global consumers shows that Chinese and Indian consumers typically:

- Come from humble circumstances
- Are driven to create a better life for themselves and their children
- Are animated by specific dreams for a better life: a house and a car, travel and leisure, health care and education
- Believe they will achieve their dreams

What drives their optimism? We have identified a “virtuous circle”: higher income, higher savings, and smaller families mean more money to invest and spend. But it should be noted that this is starting from a modest base. Up is relative.

The virtuous circle is driving massive growth in the middle and upper classes.

Virtuous circle of growth in India and China: high savings, smaller families, more investment



Sources: World Bank, World Development Indicators; Euromonitor, Countries and Consumers; BCG Global Consumer Sentiment Survey, March 2011; BCG analysis.



TO CAPTIVATE CHINESE AND INDIAN CONSUMERS, APPEAL TO THEIR OPTIMISM—AND FOCUS ON SIX EMOTIONS

- 1 Help them fulfill their dreams**—give them a moment of gratification and elevation.
- 2 Help brand them as “in the know”**—discerning, informed, visibly affluent.
- 3 Help them live big on less.** Understand that they “work hard, spend hard”—every renminbi, every rupee is precious and causes them angst as it leaves their pockets.
- 4 Understand that painful memories still haunt them.** Every consumer has either firsthand or family memories of deprivation and personal risk. You need to respect their history and provide them with an optimistic view of the future.
- 5 Earn their loyalty and reverence** by aiding in the advancement and health of their children.
- 6 Listen hard.** The new consumer wants to engage in a dialogue and is looking for your respect and appreciation.



DISTINCT GROUPS ARE DRIVING GROWTH IN CHINA AND INDIA

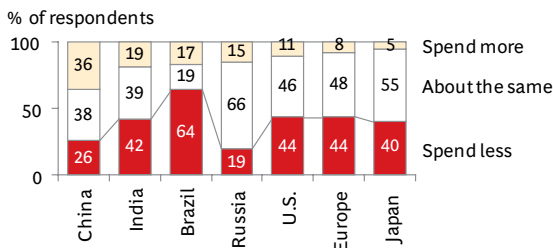
- **The rising middle class** needs products that deliver technical, functional, and emotional benefits—along with aspirational products that are just out of reach.
- **The superrich**, like nearly all Chinese and Indian consumers, want to have an emotional connection to your brand; but when purchasing your products, they also want to enjoy an exclusive, privileged environment and experience.
- **The “next billion”** live below the poverty line. But because of their sheer numbers, the multiplier effect of very modest income growth will translate into markets worth hundreds of billions of dollars. “Fit to constraint” products—very inexpensive, in tiny sizes—will help you sell to them. And you’ll need novel distribution, even using NGOs that can help educate first-time consumers.
- Visit **urban consumers** in their homes to see how they live their lives. In addition to selling them consumer goods, meeting their infrastructure needs—including housing and transportation—presents a huge opportunity.
- For **rural consumers**, there’s money to be made in infrastructure as well. And supplying rural farmers with modern agricultural tools and products is another opportunity with enormous upside potential.
- **Women** in China and India want the “trifecta”—a happy home; rising, secure income; and good health. Branded products for home, health, and family will help win over these important decision-makers. Even more than with other groups, listening is essential.

CHINESE AND INDIAN MARKETS ARE SET TO TAKE OFF

BCG's research indicates that the Chinese and Indian consumer markets are poised to explode: 36 percent of Chinese and 19 percent of Indians expect to increase their discretionary spending over the next 12 months. By contrast, only 11 percent of Americans, 8 percent of Europeans, and 5 percent of Japanese expect to do so.

Appetite to spend, by country

"How do you expect your discretionary spending to change over the next twelve months?"



Source: BCG Global Consumer Sentiment Survey, 2011.

Note: The bottom income quartile is cut and the sample reweighted to represent the real income distribution in each country. Europe consists of Germany, the United Kingdom, Spain, Italy, and France. Because of rounding, percentages may not add up to 100.

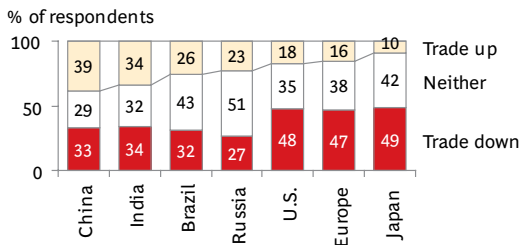
What are they spending on?

Middle-class consumers want and need more food, clothing, housing, and household appliances. Some categories are poised for runaway growth—such as apparel, liquor, and personal-care products. Others will grow more steadily.

CONSUMERS ARE “TRADING UP”— AND THAT HELPS DRIVE THE BOOM

- Consumers in China and India expect to “trade up” to better, higher-priced goods. Thirty-nine percent in China and 34 percent in India expect to trade up, compared with 18 percent in the United States and 16 percent in Europe.
- Electronics, apparel, and home décor are the top trading-up categories. The superrich are trading up in cars and fine watches, especially in China.
- Why trade up? In China and India, it’s all about brand—but technical differences are rapidly becoming more important as consumers become savvier and look for maximum value.

Trading up/down tendency, by country



Source: BCG Global Consumer Sentiment Survey, 2011.

Note: Trading up indicates a willingness to spend more in a particular product category; trading down indicates a preference for saving or spending the bare minimum. The bottom income quartile is cut and the sample reweighted to represent the real income distribution in each country. Europe consists of Germany, the United Kingdom, Spain, Italy, and France. Because of rounding, percentages may not add up to 100.

Consumers' reasons for trading up, by country

Brand is still the leading reason for trading up in China and India, but technical differences and being healthier are emerging as common motivations.

Reasons for trading up	Respondents (%)						
	China	India	Brazil	Russia	U.S.	Europe	Japan
Because of the brand name	70	64	60	26	30	19	24
There are meaningful technical differences in the product or service quality (e.g., features, construction, materials, look)	65	61	70	60	52	45	6
Because it's healthier	65	65	73	68	49	38	6
These products/services give better results than the average or lower-price products or services	63	55	71	66	63	51	41
These categories of products/services are more important to me	53	57	76	63	44	34	13
I enjoy the feeling of using these products/services	52	62	69	59	32	34	17
I can afford to	50	58	63	64	34	30	27
I deserve it	46	60	77	59	26	26	22
I enjoy the feeling of buying these products/services	47	55	68	54	26	27	14

Sources: BCG Global Consumer Sentiment Survey, March 2011; BCG analysis.

Note: Europe consists of Germany, the United Kingdom, Spain, Italy, and France.



FACES BEHIND THE FACTS

Meet the Consumers Who Are Powering Growth

WX Liu

Harvard Girl

Mr. Number 19

Rakesh Kumar Sahu

Entrepreneurs Power These Dynamic Markets

Harsh Mariwala

Liu Jiren



WX Liu: The Challenge of Rural China

"Garage, but no car; plug, but no air conditioner"



Age: 59

Works as: Farmer

Lives in: The rural village of Shunhezhuang, two hours from Beijing

Her story: Built her own house, brick by brick. Borrowed from family and relatives to pay for it. Her life is a hard farming life, but she dreams of better times, and the house speaks to her optimism for the future.

Until recently the house had two power outlets for air conditioners—but no air conditioners. Now her son has bought two secondhand units. It has a garage for two cars. As yet, she can't afford even one. But she thinks the time will come—one day soon.

Quote: "I'm pretty satisfied with my life now. It's so much better than it was just a few years ago."

WX Liu is one of the "next billion"—the next massive wave of consumers who will emerge from poverty to power the economy.

Harvard Girl

“Ambition, drive, and giving back”



Age: 29

Works as: Investment banker

Lives in: New York City

Her story: Liu Yiting is a household name in China—better known as “Harvard Girl,” thanks to the book written by her parents, *Harvard Girl Liu Yiting*, about how they raised her to be successful. The book has sold more than 2 million copies.

Yiting combined intelligence with extraordinary hard work to become a poster child for the next generation of Chinese women. She is a role model for the one-generation leap for talented women in China, and for the rising power of the female consumer.

Quote: “My parents don’t consider me a prodigy or a genius. My mother is not a tiger mother. My education was fun, not rigid and oppressive.”

For parents all over China, their one child is their hope and dream. It is common to spend as much as 30 to 40 percent of household income on that child’s education, including private tutors and special classes.

Mr. Number 19*"I can do anything"*

Age: 22

Works as: Engineering student

Lives in: Delhi

His story: Shriram “thinks in English” and could easily pass for an American teenager. But at the Indian Institute of Technology in Delhi, he stands out for another reason. He ranked 19 out of 485,000 on the entrance exam—thanks to years of study at 90 hours per week. We call him Mr. Number 19.

Quote: “By virtue of my rank on the test, I have my choice of major. I will get a good job at a good salary. And then I will apply my skills in my own company. In 10 to 15 years’ time, I will be married with a kid or two. We will live a good life. We will live in India and help to make our country stronger, more secure economically. The future is bright indeed.”

There are 40 million university students in China and India—ready to drive the next generation of business and consumer growth.

Rakesh Kumar Sahu*"My life is filled with luck"***Age:** 39**Works as:** Restaurant/food stall owner**Lives in:** Lucknow

His story: Started out as a snack seller with a handcart. Now he owns and runs a small restaurant-cum-eating stall. His life over the past ten years has been, he says, "a rocket." Currently earns \$10,000 a year, which puts him firmly in the Indian middle class.

He owns two televisions, two mobile phones, a washing machine, a small refrigerator, a van, and a motorcycle. He used to live on cheap rice, avoided fruit because of the cost, and couldn't afford medicine. Now he buys branded refined oil and basmati rice, and eats all the fruit he wants. His son attends the City Montessori School, and Rakesh has money for movie outings and gifts for his wife. He can even save a quarter of his income for a rainy day.

Quote: "Earlier I had nothing. Today, because of my hard work, I have reached quite a height—now I have everything. My life will not go backward, only forward. Progress will be everywhere."

The new middle-class consumers—using their discretionary spending power to enjoy their first taste of affluence—are a major force behind the booming consumer marketplace.

Harsh Mariwala*"We have continuously invented"*

Business leaders with the accelerator mindset target big growth and accept risk. They set high ambitions and pursue them with a strategy of "add capacity, cut price, drive for leadership, and take it market to market." It is about being bold, sometimes ruthless, often inspired.

Who he is: An archetypical Indian entrepreneur—a man with an idea a minute, guided by a vision of growth and a sense that no barrier is too high.

His story: In 1971 joined Marico, the family business, and today he is chairman and managing director. He has lived a life obsessed with the needs of the new consumers. When he started, the company was a small producer of bulk edible oils. Today it is a leader in hair care products, edible oils, functional foods, instant starch products, and skin care services. It outranks Nestlé, Hindustan Unilever, and Tata Tea on the basis of shareholder return. Its products reach 3.3 million consumer outlets. Among the company's initiatives are "fit to constraint" products in tiny sizes that are affordable for the poorest Indian consumers—the "next billion."

Quote: "We will grow and expand the product line. We know how to stay out of the bright lights of the multinationals. We know how to exploit niches. We know that our power is our extensive distribution."

His rules: "Grow faster than you are comfortable. Never stop seeking new opportunities. Push the envelope."

Liu Jiren*From Steel Worker to Global IT Captain*

Many Chinese and Indian entrepreneurs say they want to “give back” to their country and families. Liu Jiren has memorialized his success in the form of a three-campus university—the Dalian campus alone has 14,000 students—teaching innovation and design and creating the next generation of Chinese “imagineers.”

Who he is: Founder, chairman, and CEO of Neusoft Corporation, China’s largest IT solution and services company, and a prime example of a business leader with an accelerator mindset.

His story: Started out as a 17-year-old steel worker, rising from poverty through dangerous work to eventually attend college and complete a PhD before establishing a business with a current market capitalization of \$1.6 billion.

Quote: “We are not China’s IBM or Microsoft. We have our own business model.”

Most proud of: His investment to set up three IT university campuses in China. “I will be remembered for starting the university,” Liu says. “It is my dream to give back to my country. It is my dream to have a legacy of students with the ability to innovate, create new businesses, and compete on a global scale.”



GET TO KNOW THE COMPANIES THAT ARE POWERING CHINA AND INDIA... AND THRIVING THERE

Godrej Group

Huawei Technologies

Yum! Brands

Kraft/Sanjay Khosla



GODREJ GROUP

“Ten-by-ten vision”—and how to make a refrigerator for the have-nots

Adi Godrej, chairman of the Godrej Group, is one of India's billionaires. The company—114 years young, as he puts it—started life as a lock manufacturer. Godrej inherited a small household-products company nearly 40 years ago, and he has built it into a \$3 billion powerhouse with a presence in fast-moving consumer goods and durables, chemicals, and real estate. But the story doesn't stop there.

“Today we have just annunciated what we call a ten-by-ten vision—ten times bigger in ten years,” Godrej says. He believes India is at a tipping point that will make tenfold growth possible for India's entrepreneurs.

Godrej is driving growth by creating new markets for his products. For example, the firm's Chotukool (literally, “small cool”) refrigerator was designed for the “next billion” market, tailored to meet the needs of the 70 percent of Indian consumers who have no refrigeration at home. Very small and with no compressor, it was designed with a U.S. partner to fit the constraints of small cramped houses, low affordability, and irregular electrical supply. Chotukool was developed by a small team focused on disruptive innovation, says Jamshyd Godrej, chairman of Godrej & Boyce. “We co-created this refrigerator, observing the requirements of the segment very closely, and testing and retesting what worked in the field.”

HUAWEI TECHNOLOGIES

A Chinese Challenger

Ren Zhengfei, founder and CEO of Huawei Technologies, used the accelerator mindset to achieve leadership in telephone equipment and computers. He is worth an estimated \$1 billion and is ranked among China's top 200 wealthiest people. Huawei, the world's second-largest telecom equipment manufacturer, is a \$32 billion company that few have heard of.

The company has cultivated a driven and inspired ability to work as a team, an ability to pursue multiple opportunities simultaneously, a fearless focus on low-cost innovation, a prodigious appetite for the smartest local talent, and a *coup de grâce* maneuver into the heart of developed markets to capture market share.

Typically, Huawei reinvests 10 percent of its revenues in R&D. Some 43,000 of the company's 130,000 employees are engaged in R&D in a growing number of specialist centers around the world, including a handful of locations in the United States. "Every year, I am willing to invest several billion U.S. dollars in innovation," says Ren, "even if the results of R&D will not come up for several years." With such a strong focus on research, Huawei had become the world's largest patent applicant by 2009. But all the innovation in the world would be useless without an overarching strategy for winning market share—and here, Huawei really excels. Stressing value, service, and fast response, Huawei targets its rivals' weak spots and does not let go.

From its beginnings in China's rural markets, Huawei moved quickly into urban China, then into Russian and Western European markets. Its expansion into the United States is going more slowly because of concerns about national security and intellectual property. But determination is a hallmark of the accelerator mindset, and Huawei will surely bring it to bear on the U.S. market.

YUM! BRANDS: A KFC BIRTHDAY PARTY

When it was time for Li Duoduo, a little girl from Jiangmen in China, to celebrate her sixth birthday, her mother asked her where she wanted to have her party. The answer was instantaneous: “KFC.”

Kentucky Fried Chicken, Yum! Brands’ flagship, is the largest restaurant chain in the country, with more than 4,000 restaurants. These restaurants are not like their American counterparts. They are two to three times larger, have more extensive menus (including Chinese delicacies such as Cantonese egg tarts and winter soup alongside the fried chicken, French fries, and other American classics), have special facilities such as playgrounds, and feature special programs—such as birthday parties. The parties are free with the purchase of a meal, and are led by an employee known as a “KFC big sister.”

These birthday parties—along with the rest of Yum!’s localized approach—are the brainchild of Sam Su, chairman and CEO of Yum!’s China division. A Taiwan-born chemical engineer with degrees from the National Taiwan University and Wharton, and a veteran of Procter & Gamble, Su led Yum!’s China building spree in the late 1990s. Now the company is expanding into purely local fare, acquiring the Little Sheep chain of Mongolian hot-pot restaurants in late 2011. India is in Yum!’s sights as well, including plans for a vegetarian product line. Yum! CEO David Novak says that India’s infrastructure lags China’s, but he expects major growth in both markets. The restaurants will be designed to cater to Chinese and Indians “in pursuit of the American dream”—they want more now, Novak says. But if you visit, expect KFC and Pizza Hut in China to have a distinctly local flavor.

KRAFT'S FORTUNE COOKIE: THE OREO CHANGES FLAVOR TO CONQUER CHINA... AND COOL CADBURY BECOMES AN INDIAN FAVORITE

When Kraft wanted to lead in China, it turned to Sanjay Khosla, a veteran of Hindustan Unilever. Khosla knew both India and China well, and he knew that the key to success would be to trust his local teams and their knowledge of their markets.

Khosla and Irene Rosenfeld, Kraft's CEO, led the company through a series of strategic moves, including the acquisition of Danone's LU cookies business, already dominant in China, and narrowing the focus down to one key product—the Oreo.

But mostly, Khosla brought local insight to bear. On the basis of advice from colleagues and insights gained from extensive consumer interviews, his team had Kraft's kitchens reformulate the Oreo, reducing the sugar content, replacing the cookies with multiple thin wafer layers, and developing new flavors such as green tea ice cream. Packaging and pricing changed, too—the big 72-cent package became a tiny 29-cent package.

The result? Thanks to local teams and a local product, Oreo became the number one cookie in China, with sales up approximately 60 percent in 2011, and ten times greater than when Khosla started at Kraft.

Khosla also brought his magic to bear in India. Kraft's acquisition of Cadbury gave it control of the Dairy Milk chocolate bar, long an Indian favorite. But under Khosla, it achieved 40 percent growth thanks in part to a simple insight—that the use of coolers would make the business less seasonal by keeping the chocolate from melting in India's oppressive heat. Again, local teams and local insights created a local win for the global giant.



KEY CONCEPTS TO TAKE AWAY

Paisa Vasool—“Money’s Worth”

The Boomerang Effect

The Accelerator Mindset

The “Triple Crown”—Why the Winners in
China and India Will Win at Home, Too

A Bright Future



KEY CONCEPT 1

PAISA VASOOL—“MONEY’S WORTH”

Paisa vasool is the key to winning the loyalty of Indian and Chinese consumers.

It’s a Hindi phrase that means, literally, “money’s worth”—but it counts for Chinese consumers as well. Remember, many of even the most affluent in China and India have a living memory of poverty and hardship. And at the heart of both cultures is the marketplace, where bargaining and skepticism are the order of the day.

So, while these consumers may have money, they don’t want to part with it lightly. They’re looking for the best value from any purchase, no matter what the price. They are hunting for products that match their need for luxury—and features at a price point that matches their wallets.

How to bake *paisa vasool* into your products and services? By setting the right price point (or multiple price points for different kinds of consumers), creating small packages that can be sold for pocket change, and making sure that you can communicate and demonstrate features and benefits in a convincing, compelling way.

Delivering *paisa vasool* is a global strategy—consumers in all markets are trying to make ends meet and increase their spending power. But it puts demands on your whole operation, from design to manufacturing to distribution to sales.

KEY CONCEPT 2

THE BOOMERANG EFFECT

The Asian boom isn't happening in a vacuum. Its effects transform the global marketplace—and spill back into local markets. That was true of the first phase of Asian growth, when Western investment helped spark Asian businesses. Those businesses changed the playing field, driving down labor costs and challenging established U.S. players. These second-order outcomes are what we call the “boomerang effect.”

Now, the boomerang is flying again—in a different pattern. The rise of the middle and upper classes in China and India has touched off unprecedented demand for consumer products. That demand, in turn, is creating a strain on worldwide prices for commodities ranging from food and fertilizer to copper, cotton, steel, cement, electricity, and oil and gas. The result is higher prices for a host of products and services—from manufactured goods to food and heating oil. The price surge will have an impact in China and India—especially among those consumers who are just emerging from poverty. But it will also affect European and U.S. consumers. Your domestic customers, already struggling with the lingering effects of the economic downturn, are likely to face even more price pressure. They'll adopt their own form of *paisa vasool*. “Money's worth” will be a mantra not only in China and India but in Europe and the United States as well.

KEY CONCEPT 3

THE ACCELERATOR MINDSET

As we've seen, Chinese and Indian entrepreneurs and executives—and the companies they create and lead—are formidable competitors. Their optimism is limitless, and so is their energy and determination. They don't feel bound by the rules, and they're ready to eat your lunch.

The “accelerator mindset” is our term for the way top executives in China and India work—their relentlessness in pursuit of success.

Strategy, for them, means a big-picture vision, driven by colossal dreams and with no limits on opportunity. They're not beholden to anything, least of all the constraints of common business logic. They start with a clean slate, focus on specific opportunities, scale up or refocus as needed, learn by doing, and drive purposefully forward.

For them, the goal is not perfection. They have little fear of making mistakes, believing that errors can be fixed with time or made palatable by the rising tide of demand. Some are driven across the line into unethical or corrupt behavior. But most are not—they are simply good at execution, and are ready to deliver. They call themselves the “PhDs”—poor, hungry, and driven. They're pursuing their version of the American dream, and they're prepared to work hard for it.

Expect to face stiff competition from Chinese and Indian accelerators—not only in China and India but in your home markets as well. Their ambitions will drive them in Asia and then to your shores.

KEY CONCEPT 4

THE “TRIPLE CROWN”—WHY THE WINNERS IN CHINA AND INDIA WILL WIN AT HOME, TOO

It's common to think of China and India as discrete markets—with their own needs and characteristics, best pursued with the help of local talent. That's not true. The companies that succeed in the next wave of global competition will be those that win in China and India—and then use the lessons they learn to dominate in their home markets as well.

China and India are unique cultures. Chinese and Indian consumers have their own needs and aspirations. But some of those needs and aspirations sound familiar, don't they? As we've seen, *paisa vasool* isn't unique to India or China. American and European consumers, struggling in the aftermath of one of the worst financial downturns in history, are also trying to do more with less and to find the maximum value in every purchase. They're also skeptical, and want to form lasting emotional bonds with companies and brands that they know and trust. As they try to stretch their dollars and euros, they're also trading up in some categories, even as they cut back in others that matter less to them.

In other words, consumer attitudes and behaviors are becoming more alike. Rising commodity prices—the result of the boomerang effect—will only intensify consumers' desire for more value at less cost, in every global market.

All of this means that the lessons you learn in China and India—about managing your partners, suppliers, manufacturing, and distribution to maximize value; setting different price points and creating different packaging for different segments; and demonstrating product merits to a skeptical audience—will serve you well in your domestic market. Companies that master China and India will have an advantage at home. Companies that don't operate in China and India—or that fail to learn the lesson of *paisa vasool*—will be at a serious disadvantage.



KEY CONCEPT 5

A BRIGHT FUTURE

As challenging as it sounds to compete and win in China and India, there's a huge upside. A \$10 trillion marketplace means success for everyone—the new Chinese and Indian consumers, the companies that will meet their needs, and the companies that will apply the lessons they've learned to do better at home. The boomerang effect may be daunting, *paisa vasool* may be a tough concept to apply in practice, accelerators may be fierce competitors—but the business leaders who rise to the challenge will be on top of a huge global consumer market, with mastery of the tools they need in order to win. The \$10 trillion prize is real, and it's yours to claim.





TEN QUESTIONS YOU SHOULD ASK ...



Here are ten questions to ask yourself—and answers that will help put you on the path to the \$10 trillion prize

- 1 Do you have your best and brightest employees deployed in China and India?** You should. The percentage of your top 200 executives in China and India should match the percentage of growth you expect to come from those markets. And make sure your future leaders spend time there.
- 2 Have you set a bold enough aspiration for yourself?** Understand your product's consumption curve—and time your investments accordingly. Spend according to your anticipated market share. Aim to grow twice as fast as the market.
- 3 Have you created a profitable business model that delivers growth now?** Adopt a scorecard that tracks key metrics and aims for strong margins within three years.
- 4 Are you innovative enough to reach many different markets?** Segment, segment, segment!
- 5 Are you developing an operating model that can deliver at the right cost?** Focus on *paisa vasool*. Catch competitors while they're still testing. When necessary, imitate in order to dominate these fast-moving markets.

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- 6 Do you, your top decision-makers, and your board spend enough time on the ground?** Fly the skies. Spend time with consumers. Relocate for an extended period of time so you can really engage with customers, partners, and government at all levels.
 - 7 Can you paint a detailed picture of the hopes, dreams, and wishes of newly affluent consumers?** Develop proprietary data. Get to know these consumers. Have a vision of how they live and where they want to go—then get them there.
 - 8 Are your investments big enough that in 2020 you'll have no regrets?** Do the math. Know what it will cost to get to a leadership position—including time and resources. It's not just about spending, it's about being smart and overcoming risks.
 - 9 Are you taking the lessons home?** Rethink the way you do business everywhere. Hold your next two management conferences in China and India, and visit tier 2 and 3 markets.
 - 10 Are you sure you'll earn your share of the \$10 trillion prize?** Estimate your market size in 2020 and assess your competitors, risks, and upsides. Then build a plan, give the on-the-ground team a blank check within a framework, and go for your piece of the \$10 trillion prize.
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ABOUT THE AUTHORS

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TO LEARN MORE

For additional insights, data, and materials, visit our website at **10TrillionPrize.bcgperspectives.com**. Michael, Abheek, Carol, and David are available to talk with the press and organizations.

The \$10 Trillion Prize is published by Harvard Business Review Press and is available everywhere.

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