

# Press Release

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**Eastern and Central Europe and Asia Offer the Most Significant Investment Opportunities for European Retail & Consumer Companies, According to PricewaterhouseCoopers**

*China, India, Vietnam, Turkey, Russia, Romania and Bulgaria are identified as Key Growth Markets*

**Brussels, 02 November 2005** – Seven countries in eastern and central Europe and Asia offer the most significant investment opportunities for European retail and consumer companies according to the fourth edition of PricewaterhouseCoopers' Retail & Consumer study titled, "From Beijing to Budapest: Winning Brands, Winning Formats." China, India, Vietnam, and Turkey remain the priority destinations for investment (based on PricewaterhouseCoopers' 2004 report), and Russia, Romania and Bulgaria are new entrants according to this year's study. Achieving a presence in these transitional markets is challenging; however, and only those companies that develop new products and new formats tuned to the quickly evolving tastes of customers in these regions will be successful.

"Adopting a policy of expansion into one or several of the high growth markets is a strategic must for European retail and consumer companies," said Jacques-Etienne de T'Serclaes, PricewaterhouseCoopers Global Retail & Consumer Leader. "To succeed in transitional economies, companies must consider the specific challenges they face in expanding before realising the opportunities that lie ahead."

"From Beijing to Budapest" provides a broad picture of the economic, social and cultural backgrounds of 20 transitional economies in Asia, Central and Eastern Europe and highlights the challenges and opportunities for retail and consumer goods companies wishing to invest in these markets.

Twenty countries with the highest growth potentials from Beijing to Budapest are included in the report: China, India, Indonesia, Korea (South), Malaysia, Philippines, Singapore, Taiwan, Thailand, Vietnam, Bulgaria, Czech Republic, Hungary, Lithuania, Poland, Romania, Russia,

Slovak Republic, Slovenia and Turkey. The emerging markets (in particular, China and increasingly, India) demonstrate the growing perspectives for strong international development in these regions. Hypermarkets, discount stores and specialised outlets are the main formats dominating the retail scene in both regions covered by the report.

#### *The Major Retail & Consumer Challenges and Opportunities*

For both new and foreign entrants and for investors wishing to consolidate their operations in the transitional economies, partnering with local firms remains the most viable strategic option. As their current markets mature, retail and consumer companies will be exploring the opportunities that exist a little further afield, as well as examining the future potential of the Internet and mobile telephony. One of the most significant management challenges is that of attracting, recruiting, training and retaining good staff.

“Today, the retail and consumer sector is undergoing a period of immense change,” said Filip Lozie, Partner & retail leader PwC België. “The centre of economic gravity is shifting towards Eastern Europe and Asia. The virtual world of information technology plays an increasingly important role in today’s economy, bringing instant connectivity, higher speed, more transparency, knowledge and communication. The result is a new business landscape – one from which retail and consumer companies cannot afford to be absent.”

#### *Winning Brand Strategies*

A key finding is how participation in the transitional economies requires foreign retail and consumer companies to create new products and new formats geared to the consumers of these markets. Ongoing innovation and cross-fertilization are enriching the products and services offered not only for their customers in these new markets but also in more traditional markets across the world.

Successful development of brands in the transitional economies lies in finding the right balance, blend and mix of products, the report says. The global image of world-class brands needs to be balanced with a keen sensitivity to local tastes. A careful blend of cultures has to be fine-tuned, and, the right mix between traditional and modern products carefully nurtured.

Extreme price sensitivity at one end of the market, and a move towards upscale products at the other is leading to consumer dichotomy and market polarisation. Therefore, premium brands, private label and value low-price labels are all being developed equally successfully, according to the PricewaterhouseCoopers report. A polarisation of formats between discount and upscale stores is a general trend across both the Asia and Central and Eastern Europe. This consumer dichotomy directly corresponds with the “newly rich” and the burgeoning middle class those who have not yet entered the new economies of their countries. It also often corresponds to the split between the urban and the rural populations.

#### *Optimising Foreign Investment: Offshoring & Sourcing Overseas*

Companies developing their operations in the transitional economies are capitalising on their presence there by offshoring certain business processes to the local countries in which they operate, and sourcing goods locally. Risk management and business intelligence are the building blocks for offshoring and overseas sourcing strategies. Information security risks,

such as the confidentiality of information, and knowledge of business partners are key components for the success of this type of venture.

Infrastructure is still a major problem in many transitional markets, but it is being rapidly addressed as governments see the significant political and economic advantages to be derived from local sourcing and the creation of regional sourcing hubs.

For more information on the fourth edition of the PricewaterhouseCoopers Global Retail & Consumer study, "From Beijing to Budapest: Winning Brands, Winning Formats" please go to: [www.pwc.com/growth](http://www.pwc.com/growth).

For a copy of the executive summary please contact: [valerie.vandenbenden@pwc.be](mailto:valerie.vandenbenden@pwc.be).

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### **Notes to Editors**

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