

# Why yesterday's channel practices won't win over emerging-market consumers

**Marcello Berland and Bruno Furtado**

Latin American consumer-product companies that use sophisticated data-oriented tools achieve superior price differentiation.

The days have long since passed when emerging markets, the wellspring of future growth for consumer-goods companies, were backwaters where traditional channel strategies sufficed. We looked at the pricing strategies of 43 major units across 33 leading consumer-product companies in Latin America, identifying the top 25 percent. These were more successful in differentiating their prices: they maintained higher-than-average unit-price growth while increasing sales at a rate above the market average.<sup>1</sup>

We found that these companies were around 1.5 to 3.0 times more likely than their peers to deploy quantitative and advanced data-analytics approaches, such as price elasticity and conjoint surveys, to set price levels (exhibit).<sup>2</sup> More commonplace practices, such as gathering insights from the field or reviewing price gaps against competitors, were less likely to produce a pricing edge. As consumers move up the development

curve in Latin America and other emerging markets, the playing field is getting steeper, and sophisticated channel approaches will be needed if companies hope to stay ahead. ○

<sup>1</sup> In conjunction with AC Nielsen, we surveyed approximately 150 executives at units of 33 leading consumer-packaged-goods companies across Latin America.

<sup>2</sup> Top-performing companies in pricing strategy increased their sales by 1.9 percentage points above the market average. Growth in unit prices was 0.6 percentage points ahead of the category average.

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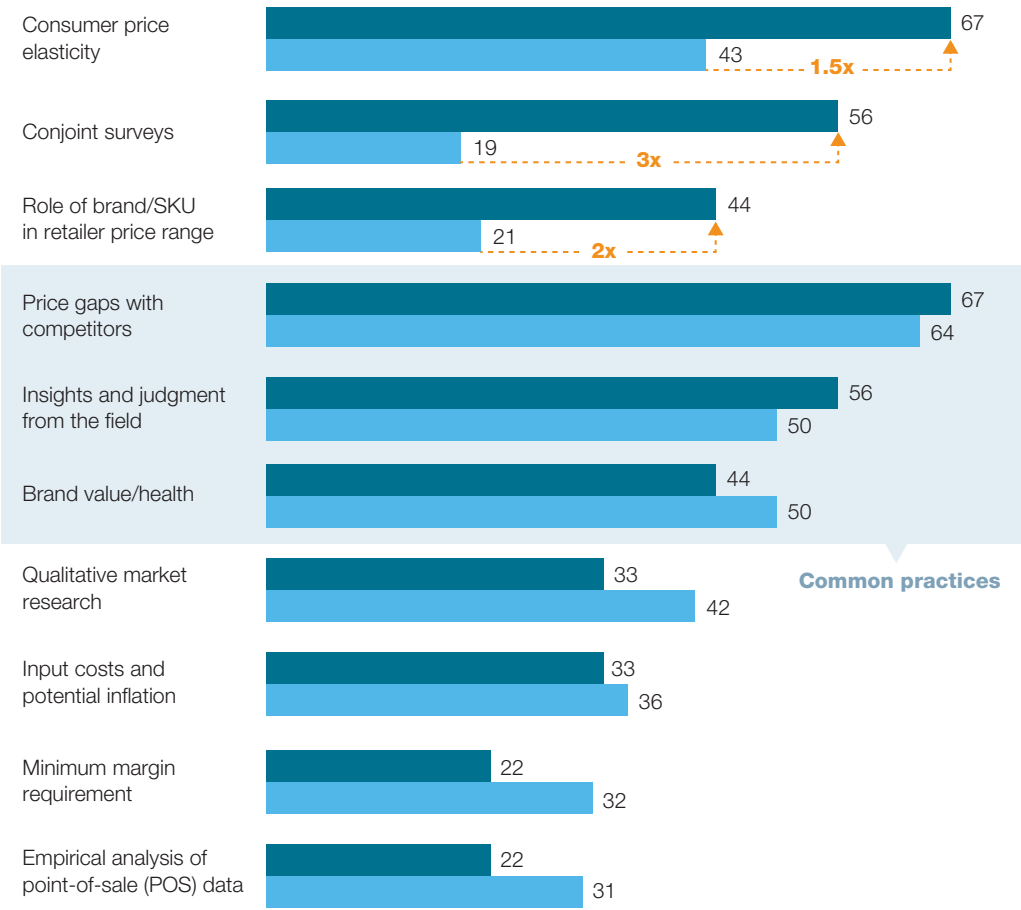
To download the full report, see "Survey results: For packaged goods companies, winning in Latin America is worth more than you think," on [mckinseyonmarketingandsales.com](http://mckinseyonmarketingandsales.com).

Exhibit

**Winners rely more on quantitative and advanced data-analytics approaches to determine their pricing strategy.**

**Main tools and metrics used to determine pricing strategy,**  
% of respondents

■ Winners  
■ Others



Source: McKinsey customer and channel-management survey, Latin America, 2013

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