Brand-power is more important in emerging markets

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Marketing and branding for emerging markets is something which is being spoken about prolifically of late. What are some of the parameters to be kept in mind in these markets, as opposed to the already-established markets?

Brand power is perhaps more important in emerging markets than in established markets because the variability in the quality of products on the market is much higher. Consumers have fewer resources making any purchase that much more significant one. Thus, the security provided by a good brand is very important to the consumer. Nokia, for instance, has a 70 percent market share in India although its global market share in the category is around 40 percent.

What are the challenges that companies face when they seek to establish brands outside their home-markets?

The tendency to assume that what worked at home will work outside is very dangerous since consumers in the new markets are different. Thus, starting with a proper assessment of the local consumer is critical. The other key issue is distribution. In developed markets, distribution power is concentrated in the hands of a few retailers. For instance, in the consumer appliance space in the US, Sears is the dominant retailer followed by Best Buy, Home Depot and Lowe's as the other three national players. For a new entrant, it is very difficult to get entry in to these retailers as they have the pick of the brands. Thus, building distribution requires a clear, consistent, long-term strategy.

For instance, it took LG Electronics five years from the launch of the brand in the US to getting distribution in Sears, which controls approximately a third of consumer appliance sales in the country. In developing markets, the problem is the highly fragmented retail environment which requires a long and complex distribution system, and that takes time and effort to build. The small size of the retailers also means having to displace an existing item to get shelf space, which is clearly a problem against well-established and well-entrenched players with full product lines.

What are the chief differentiators, if one was to look at the unique features of the following markets: Korea, Russia, India, China, Turkey, Mexico, and Brazil?

One common characteristic of these markets is that many product categories are still in the nascent stage. This implies that segmentation needs to be broad as opposed to the micro-segmentation that is the name of the game in developed markets. Thus, in a market like India, the challenge for a company that produces, say, shampoo, is to get people to start using the product to wash their hair rather than soap. Thus, category creation is more the challenge requiring basic products.

A second common characteristic is that consumers are poor. Thus, consumers may look at purchases as a make or buy decision and are much more likely to make rather than buy if the price is not right. Thus, pricing is critical if one needs to reach the masses.

Not only are consumers poor but consumers in these markets are also much more likely to get paid daily or weekly rather than monthly. Thus, funds to them are a flow as opposed to a stock. This means that they have to buy as they receive money, and buy in very small quantities, hence, the popularity of sachets for single use in the Indian market.

In relation, consumers may be more willing to buy if a product can be converted to the service it was designed to provide. Thus, for instance, HP rents cameras and printers to individuals who go around rural India taking photographs on occasions like births, weddings, etc., and consumers pay for the pictures they like which are printed on the spot using an HP printer equipped with a solar panel to recharge the printer batteries! Business models, such as those of HP, or ITC (e-Choupal), or Hindustan Unilever (Shakti), which engages with consumers at the bottom of the pyramid as both employee/supplier and consumer, puts money into the hands of impoverished consumers, in turn creating a demand for the company's brands.

A third characteristic is that consumers in these markets are younger. Which means that a huge percentage of consumers have not yet formed strong brand preferences, which creates enormous new opportunities for firms to build their brand franchise.

In the wake of the current global crisis, how do you see the marketing budgets re-allocated, and which constituents of the marketing mix would take a hit, and for which of the constituents it would be a good time?

I think marketing communications overall will take a hit because marketing budgets will be pared down in expectation of a recession. I also think that, perhaps, companies will take a more careful look at the brand contact mix and try to discover which are the brand contacts, or touch points, which have the maximum impact for a given unit of investment. Today, there are tools such as the Market Contact Audit, or MCA, which can take a 360-degree view of brand contacts from the target consumers' viewpoint and help guide the company in deciding on which contacts to activate and to track the return on brand contact investments.

What role can communications and Public Relations play in times of crisis like this?

Public relations can perhaps play a greater role in difficult times because of two reasons. First, marketing-communications budgets typically take a hit and, thus, companies are forced to turn to PR. The other reason is that PR, which generates stories in the media or in blogs, is much more credible than any company-generated communications, particularly so in the context of today's crisis, which was fuelled by corporate greed and indiscretion.

Which have been some of the brands – local or global – to have made it big and, yet, are truly innovative?

Virgin Mobile is innovative. LG Electronics and Samsung have also been pretty innovative and effective in building up global brands.