BIZCOMMUNITY

Building your brand, one BRIC at a time

By Johan Hanekom

1 Aug 2016

Emerging markets are without a doubt the new frontier. Consumers in emerging markets are encountering marketing environments that are as complex and ever changing as their counterparts in developed countries.

Choice of products and the channels of communication are growing exponentially, along with wide acceptance of mobile and digital platforms. This all translates into a more informed and empowered consumer base.

In today's emerging market place there are essentially four key areas which every business needs to consider. These are viz. initial consideration, active evaluation, closure and post-purchase. Each step is critical and can determine whether a marketer loses or wins in their bid.

Initial consideration sets in when a consumer decides to make a product or service purchase and thinks of a number of brands. Active evaluation then sets in when consumers conduct research on some of the potential future purchases. The closure phase comes in when they select a brand during purchase and lastly the post-purchase comes in when they experience the service or product selected. These four stages are as applicable for emerging markets as they are for established markets.

However, there are three important differences between developed and emerging markets which need to be carefully considered.

Firstly, word of mouth is invaluable when it comes to affecting decision phases of emerging market consumers. Secondly, the process of getting a brand into the initial consideration set of a consumer is very important in emerging markets since it seems to have a very large impact on their purchasing decisions. Lastly, companies must be quick to address any issues that follow when their products reach the retailers' shelves.

Using geographic focus to harness word of mouth

Word of mouth plays a critical role in building brand value and trust in emerging markets. When beverage and food consumers are surveyed in the UK and USA, about 40% of respondents say that they receive recommendations from family and friends before a purchase. About 60% of consumers from Asia and Africa rely heavily on recommendations

from family and friends. A potential explanation boils down to the fact that family members live in closer geographic proximity in emerging markets whereas the opposite holds true in established markets.

Therefore, companies can reap dramatically higher profits if they decide to pursue a geographically focused strategy for word of mouth - compared to spending their marketing resources in selected regions countrywide - such as in big cities only. Once a brand attains initial share of the market (15%), a virtuous cycle can be unleashed by a company. Word of mouth spread by additional users can quickly boost brand reputation, helping it acquire even more market share without higher expenditures in marketing.

Getting brands into consumer's initial consideration

Consumers in emerging markets initially tend to give smaller brand sets consideration and are usually less likely to change to brands that were not part of their initial consideration set. For example, according to surveys in China, most consumers initially consider three brands on average and purchase one of those brands about 60% of the time. Compare this to Europe and the US where consumers have four brands on average in their set with a 30% to 40% purchase rate.

Including a brand into a consumer's initial set is very important in emerging markets and the first step to achieving this is by increasing visibility through advertisements in media channels. Advertisements alone will not be sufficient enough to achieve initial consideration by consumers. Companies must also reach the consumers with tailor made messages according to the concerns and preferences in the local markets. An important part of this equation is testing every message, including ones that have already achieved significant results in developed countries. Don't simply copy-and-paste marketing material as this can lead to embarrassing contradictions with the local culture and vernacular. KFC made Chinese consumers a bit apprehensive when "finger licking good" was translated as "eat your fingers off."

Winning the in-store phase

The in-store phase of the decision journey for emerging market consumers tends to be more prolonged and more critical compared to developed markets. Consumers in emerging markets have a higher inclination for visiting several outlets a couple of times and to collect more information in an ordered manner, particularly when it comes to big ticket purchases. For instance, the typical decision journey of a Chinese consumer for electronics takes more than two months and also involves at least four store visits. These consumers are fond of testing products, interacting with sales representatives so as to collect more information about the product and create negotiation power with the retailers for the best possible deal.

Companies need to be up to speed with what is happening with their brand at retail level. Inconsistent packaging, merchandising as well as in-store promotions are some of the things that can overshadow the brand's integrity.

The first step in establishing a better in-store consumer battle is by attaining a clear view of the retail landscape - its segmentation and the location of priority outlets. Control systems must then be developed by companies based on the incentive schemes, distributor collaborations and programmes in order to manage the retail environment. Companies must also deploy control models using mystery shoppers and supervisors with the support of IT infrastructure so as to ensure store performances can be analysed and assessed.

Johan Hanekom

These three principles - using geographic focus to harness word of mouth, getting brands into consumer's initial consideration and winning the in-store phase may seem elementary, but they each require careful planning and execution. They require bold leadership and investments, efforts in building local teams and the nerve to function in fundamentally different ways from what is regarded as the norm by headquarters.

Consumers in emerging markets are more likely to choose a brand they perceive as consistent and positive across these key touchstones, and will eventually profit the companies that invest smartly.

ABOUT THE AUTHOR

Johan Hanekom is the managing director of Hanbro - a boutique consultancy helping international companies setup and develop their UK market presence. Johan is a lifelong entrepreneur having started his first business at age 16. A believer in social entrepreneurship, Johan helped launch several NGOs in South Africa including AISEC and Enactus. His paper while at Oxford focused on the importance of developing a nation of social entrepreneurs in South Africa.

For more, visit: https://www.bizcommunity.com