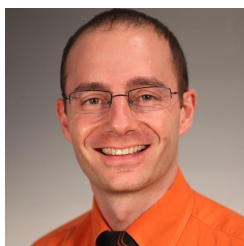


## How to Build Value in International Markets



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**R**ecognising the daunting challenges for sustaining profitable growth in the future, many companies are increasingly focusing on foreign countries, especially emerging markets which represent enormous potential. While each country is different in many ways, culturally, economically, politically and regulatory, all markets nevertheless share a central challenge: how to improve their product/brand value in view of an entirely different world ahead, especially with the growth of lower price generic products and fewer resources available to them.

This situation is common to so many companies today that seek a new paradigm for growth. The current recession has forced managers to become more efficient, or to “do more with less”. The old model for building a business primarily through blockbuster product innovations will not be enough in the future. Whether it is a healthcare item, an electronics product, a retail chain, or a B2B service, the challenge of building extraordinary value for prod-

ucts and businesses will be more complex and demanding. This task will require a complete re-assessment of the market and how to position an organisation’s strengths - in particular, a re-orientation from functional to emotional benefits (e.g. trust and comfort), from product to customer focus, and from established to emerging markets.

### **How Our World Has Changed**

This recession has revealed how antiquated and even obsolete the traditional marketing and selling techniques have become for many industries. The dynamics for finding and satisfying a customer have been turned upside down. Today companies must be far more prepared, sensitive and innovative in their approaches. Here are four major trends and challenges that we believe will drive managers in most industries to re-evaluate how they define and build value in the future:

**Role of Value Pricing** – businesses and end consumers are being squeezed, so they naturally gravitate more

toward lower competitive prices. But prices are only part of the equation that defines brand value. The other key elements are the perception of quality, the benefit for the customer and the overall customer experience with a company’s products/services. Hence, we believe that the biggest challenges will be how to enhance this perception of quality, how to convince the customer that their product or service benefits are indeed more credible, distinctive and compelling than competition, and how to deliver a positive customer experience, all of which will enhance the value proposition and brand loyalty.

**Global Growth Opportunities** – there are two basic ways to grow a business organically: getting current customers to use and/or buy more, and attracting new customers. Short of novel, extraordinary innovations, the first approach is becoming more difficult to achieve in mature markets, due to the increase in sophisticated competition (including lower priced local products). On the other hand, a major source for new customers is

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the emerging markets in the future, like China, Brazil, Russia, India, Mexico, Turkey, and SE Asian countries like Indonesia, Singapore and Malaysia. While many companies may have a presence in such countries today, most have not fully penetrated these markets or adapted well to their unique, dynamic culture and business environment.

**3. New Landscape with the Internet** – growing access to the internet is dramatically changing how customers become aware of product options, judge the quality and benefits, and especially build a relationship with a brand and/or retail chain that leads to stronger loyalty. A recent study (10/09) study in the U.S. by eMarketer on how companies are building loyalty among their customers shows a significant role of the internet for purchases at retail stores:

- 91% download/print a coupon for redemption at retail stores
- 81% link to email or a website to learn more about a product or store
- 76% try a new product for the first time after learning about it online
- 75% read about a company or brand/product content
- 67% research retail locations that carry a product

These internet trends will affect emerging markets soon, so companies must recognise the growing em-

powerment of these customers and become more sensitive to their needs, especially on an emotional level.

**Changing Customer Profile** – every country in the world is experiencing some form of social and demographic upheaval. It could be a surge of older or younger end users, migration into urban centers, growing minority segments like US Hispanics, better educated and connected consumers (e.g. via the internet), or simply pockets of prospective customers who have yet to try a product and/or don't fully appreciate its value offering. But each change represents a new opportunity to identify and attract incremental customers, usually with smart market segmentation, and especially to reinforce a brand value proposition.

### Leveraging These Four Trends to Build Value in Emerging Markets

There is no question that developing countries represent an important source for new revenue, but the challenges and risks are also unprecedented. For example, even mature companies see emerging markets as a primary source for growth in the future (e.g. Avon +9% in sales and Procter & Gamble up 11% in 2008 in Asia-Pacific), and are committed to training their managers to become more proactive in capturing opportunities in these regions. Such industry leaders also recognise that real progress in these mar-

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kets will be achieved by developing completely new approaches to planning, marketing and selling. While every situation is different, a common driver for success will always be how well companies enhance and leverage the core value of their brand, especially how the brand should be adapted to the unique opportunities in each market. Here are several key initiatives that companies can use to successfully build value and penetrate these developing countries:

**Create a Market Expansion Road Map** – many companies simply have not evaluated the market potential thoroughly enough, or in a way that translates to a very specific, actionable road map that reflects the best opportunities. This is a very complicated, yet critical planning task. One key step is to segment the market in order to identify the highest potential customers and to adapt the specific value offerings that relate best to the particular needs/interests of these customers. Such segmentation can be based on a variety of criteria, most common being predefined categories based on behaviour, profitability, value, attitudes and demographics. In retail,



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sophisticated chains often use lifestyle segments such as:

- Families with children
- “Empty nesters”, including the emerging baby boomers
- Impulsive, “grab ‘n go” shoppers
- Value conscious buyers

A good example of how retail chains use this segmentation is Tesco in the UK, which removed candy at the check-outs because moms with children did not want their kids asking for candy on the way out (they replaced it with financial offers such as credit cards, insurance offers, etc. which were more profitable). Fully understanding the most promising segments for distinguishing your brand and building loyalty will help management maximise the brand value for these top priority customers.

**Reposition for Stronger, More Relevant Brands** – every global brand should maintain the same “brand essence” (i.e. it’s “DNA”) around the world, but a repositioning might emphasise different features for each market to make sure a brand is truly relevant and more appealing, depending on the local needs/desires and competitive situation. The starting point and most important issue for any repositioning is the target customer. Careful research on the specific needs (functional and emotional) of each potential customer segment will reveal important insights that will help

determine which particular feature would make the core benefit genuinely credible and compelling. The perception of this brand benefit or promise will enable marketers to enrich their value offering for each market segment, so it is critical to think local, not global on this issue. From a practical standpoint, the brand positioning should also act as the core compass for developing and implementing all new product innovations, line extensions or special services, marketing programmes and selling tactics.

**Ideation for New Ideas** – Ideation is basically a creative brainstorming session or technique for generating fresh ideas for new product innovations, marketing, selling or promotion initiatives, and operating efficiencies. A common and egregious mistake is to expect an expansion “formula” that worked in one country to be successful in another. Generating truly distinct ideas that are relevant, practical and buzz worthy requires an entirely new thinking process. Ideally a productive innovation session should be supported by prior research on trends and local market opportunities, an imaginative yet pertinent framework for creativity, a variety of participatory managers (e.g. with different expertise and both right and left brained people), novel ideation techniques, and an experienced, professional facilitator from the outside.

**Balance Disciplined with Entrepreneurial Thinking** –

it would be naïve to expect managers from the U.S. or Europe to successfully transfer their inherent style and best practices to these emerging markets. Instead they should complement their professional discipline with the flexibility and adaptability needed for these dynamic markets. It is of course essential for local managers to learn the fundamental principles of sound strategic planning, insightful branding, innovative marketing and creative, smart selling. But it is even more important to be proactive, imaginative and opportunistic for capitalising on the emerging trends and new ideas from an ideation session

**Support with Management Development and Training** – completely understanding these principles can be a real challenge for managers in developing countries, but applying them to their local practices will be even more critical. How to develop tomorrow’s successful manager reflects another paradigm shift highlighted by the current recession. Human talent is the most important resource of any company, and training in the future must do more than simply develop basic skills; it must combine this learning process with a realistic, practical simulation that enables participants to actually use these principles to find new opportunities, think more creatively, and build better value for their brands in their immediate markets. In emerging economies in



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particular, managers and employees have a strong desire for professional training due to several reasons:

Professional development is considered a significant benefit, and so will enhance employee morale and loyalty (this is very important in China where turnover is high).

It creates a common corporate culture and language for all employees, which will make sharing of new ideas more effective.

It makes it easier and more efficient to roll out new products and marketing/sales initiatives around the world.

In summary, one of the best opportunities for business expansion is in these high potential developing markets abroad. However, leveraging this opportunity requires companies to maximise the perceived value of their brand in order to counter the growth of lower priced, indigenous products and respond more proactively to the needs of local customers. A compelling value proposition is critical for establishing a strong presence in these emerging markets, importantly at an early stage so that companies can develop a credible bond with your target customers and build brand equity over the long run.

e-marketer

### Building More Distinct Retail Brands in Singapore

The retail situation in Singapore is very unique in that it has many sophisticated shoppers looking for premium goods, but retail stores lack any credible, distinctive qualities as they cater to this luxury driven audience. Shopping malls multiply, become bigger and add fancy features, but are still not very innovative on how they distinguish themselves and appeal to different customer segments. The growing prosperity in Singapore, while benefiting most high-end retailers to date, will eventually lead to a crowded competitive environment where only the more customer focused, distinctive retail brands will flourish in the long run.

There are several ways retailers can segment their market in Singapore to adopt a more customer-centric approach. The ideal is to go beyond just identifying a need and selling a product the customer wants; a smart retailer should anticipate the full range of activities and experiences of the customer and product. It is also prudent to study successful retail operations in foreign countries. For example, Best Buy in the U.S., the popular chain of assorted electronic products, has identified its most valuable customers (31% drive 80% of its revenues) and importantly has segmented them by varying needs and lifestyles. It has collected data on 75 million households over the past seven years, even developing a unique way to categorise their core customers, each one with a distinct face and profile, such as:

- . "Buzz" – the young technology buff
- . "Jill" – the suburban soccer mom
- . "Barry" – the wealthy professional guy
- . "Ray" – the family man

The retailer who is willing to invest in thorough customer research to identify new insights for a more customer-centric approach will be the winners in Singapore. This will require recognition that each store has its own unique neighborhood and customer profile, and will leverage this learning with proper

Training and re-arranging the in-store landscape accordingly. Keeping the same company brand essence and offering such customised services and products will be the best way to build a distinctive retail brand over time.