

TAKE A FIRST GLIMPSE:

Niklas Schaffmeister

Brand Building And Marketing In Key Emerging Markets

A Practitioner's Guide to Successful Brand Growth in China, India, Russia and Brazil



globeone[®]
strategy • brand • communication

A new Springer book in the series 'Management for Professionals'.

Endorsements

“To succeed globally in the future you need to understand the BRIC countries, both their commonalities and differences.

This book provides the depth of knowledge you need and offers fresh perspectives and conceptual frameworks to address the challenges of building successful brands in this complex, dynamic area”

David Aaker, Vice-Chairman,
Prophet
Author: Aaker on Branding

“While some of the featured strategies are against conventional marketing wisdom, this book closes a major gap as it features the 25 most important strategies you should have heard of when you are trying to position your brand in the markets of tomorrow”

Jan Runau, Chief Corporate
Communication Officer, **Adidas**

“From a Chinese and professional perspective, this book genuinely covers the main factors of brand development and marketing strategy that foreign brands have to be aware of. It is based on scientific research as well as practical experience across a wide variety of industries.

If more managers would carefully consider the success factors and strategies outlined in this book, many foreign corporations would be much more successful in the BRIC markets”

Prof. Dr. Jun Ma, Chief Professor at
the Automotive Marketing Faculty,
Vice Dean of the School of
Automotive Studies at **Tongji
University**, Shanghai

“This is a great book for the marketing practitioner, joyful to read. It provides great insights for the newly assigned expatriate as well as the experienced brand manager - just to reflect and see if the relevant strategies have been applied”

Oliver Wolter, Senior Manager,
Volkswagen Brand Marketing at
Volkswagen Group China

**“Culture eats strategy
for breakfast”**

Quote is attributed to the great Austrian-American economist Peter Drucker

Today, the rising importance and high complexity of the large emerging markets, most notably the BRICs, are widely acknowledged. Despite the current cyclical challenges that some of these countries are facing, their long-term relevance should not be underestimated. Today, there is only very limited literature that takes a systematic look at these markets from a marketing and communications point of view. This is even more surprising as many global corporations already have made significant investments in countries like China, India or Brazil.

The new book by globeone's Niklas Schaffmeister aims at filling this gap, as it combines 15 years of experience in brand building and marketing strategy development in the large emerging markets.

The book will guide decision makers in mastering the complexities of the BRICs and other emerging markets. And it will help them realizing the full potential of their brands and products where it matters most.

Why the BRIC countries are more important than ever before

A historic turning point

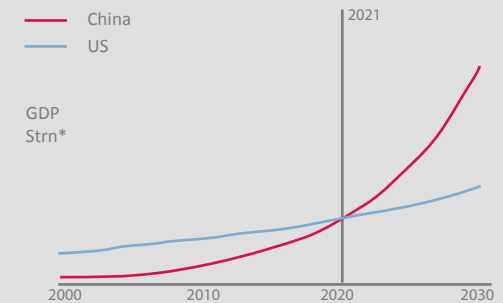
The financial turmoil of 2008-2009, the worst economic crisis since the Great Depression of 1929, and the ensuing global recession marks a turning point in the way people viewed the world. While the “advanced economies” had dominated the global economic production since the industrial revolution, and the so-called “emerging” and “developing” economies had lagged behind, the financial crisis completely overturned this relationship. IMF analysis found that while the advanced economies accounted for only 31% of global GDP growth, the emerging and developing economies accounted for 69% of global growth from 2007 to 2014.

Beyond Europe and the U.S.

During the crisis, Western companies began hunting for alternative sources of growth. Many looked beyond the U.S. and Europe and redoubled their efforts in emerging markets. This drives demand for a more professional approach to brand expansion in the large emerging markets. Today, some observers seem dubious about the future of certain BRICs. With India and China, the “IC” clearly is more powerful than the “BR.” While China’s economy is still delivering significant growth, and India is getting ready for a major comeback, the prospects of the Russian economy appear much less positive. Yet Jim O’Neill, who coined the term BRICs, remains positive about the

overall prospects of the BRIC club: “The trend stays: That is the rise of these four nations relative to the rest of the world. Some observers are simply confusing a trend with an economic cycle.” Overall, O’Neill believes that Brazil, Russia, India and China will jointly overtake the United States in economic power within the next years.

Long term GDP projections (annual average, %)



* At current prices and market exchange rates

China likely to overtake the U.S. in terms of GDP at current prices and market exchange rates around 2021

Source: Economist, 2014

BRIC countries with common patterns and challenges

While, from a cultural point of view, the BRICs show extreme differences, there are also many remarkable commonalities from a brand and marketing point of view. While the local cultures, ethnicities, languages and religions could hardly be more different, some similarities are striking. Those are very important to understand when navigating these markets in a quest for successful market and brand development. Besides the vast geographic expansion and general complexity, there is a huge expanding middle class as well as rapid social mobility and status related consumption present across the BRICs. Intensive competition from global and local competitors, high media

cost, a lower level of consumer knowledge as well as a high digital and mobile affinity are additional unifying factors across those large emerging markets. The four country profile chapters of the book on China, India, Brazil, and Russia will familiarize you with the main aspects of local socio-economics, income segments, cultural backgrounds, media environments, and purchasing motifs. This is the “software” needed to thrive in each specific market. Reading these chapters conveys the necessary background needed to re-program your brands so as to optimize their performance abroad – without contradicting their global value proposition.

Commonalities among the large emerging markets



CHINA



INDIA



RUSSIA



BRAZIL

- + Huge geographical size**
- + Younger consumers**
- + High complexity and diversity**
- + High competition for share of voice**
- + Rapid transition of economy and urbanization**
- + Less experienced consumers**
- + Expanding middle class**
- + High digital and mobile affinity**

A new paradigm: the market-driven approach

A market-driven approach

While outliers like Apple manage to succeed globally with a highly standardized strategy, most other companies need to pay attention to local preferences. Although the billion new

customers entering the global middle class have a lot in common, their tastes and cultural backgrounds show great variance.

It has simply become too risky to ignore these unique characteristics – and to miss

the gigantic growth potential waiting in emerging markets. As a consequence, the development of a truly “market-driven positioning” will be highlighted as this is the key to sustainable success in foreign markets in many contexts. This systematic

adjustment of brands as well as products and services in a way that optimizes market acceptance and sales potential – without weakening the global brand promise. New technologies are also useful in mastering this adjustment challenge.

25 strategies and frameworks for brand growth

An additional emphasis will be on the highly relevant concept of a “one world strategy”, which draws its conclusions from the major opportunity emerging markets

represent: by incorporating research and design trends, product development and marketing platforms from the BRICs into their global strategies, companies can achieve a stronger global competitive position.

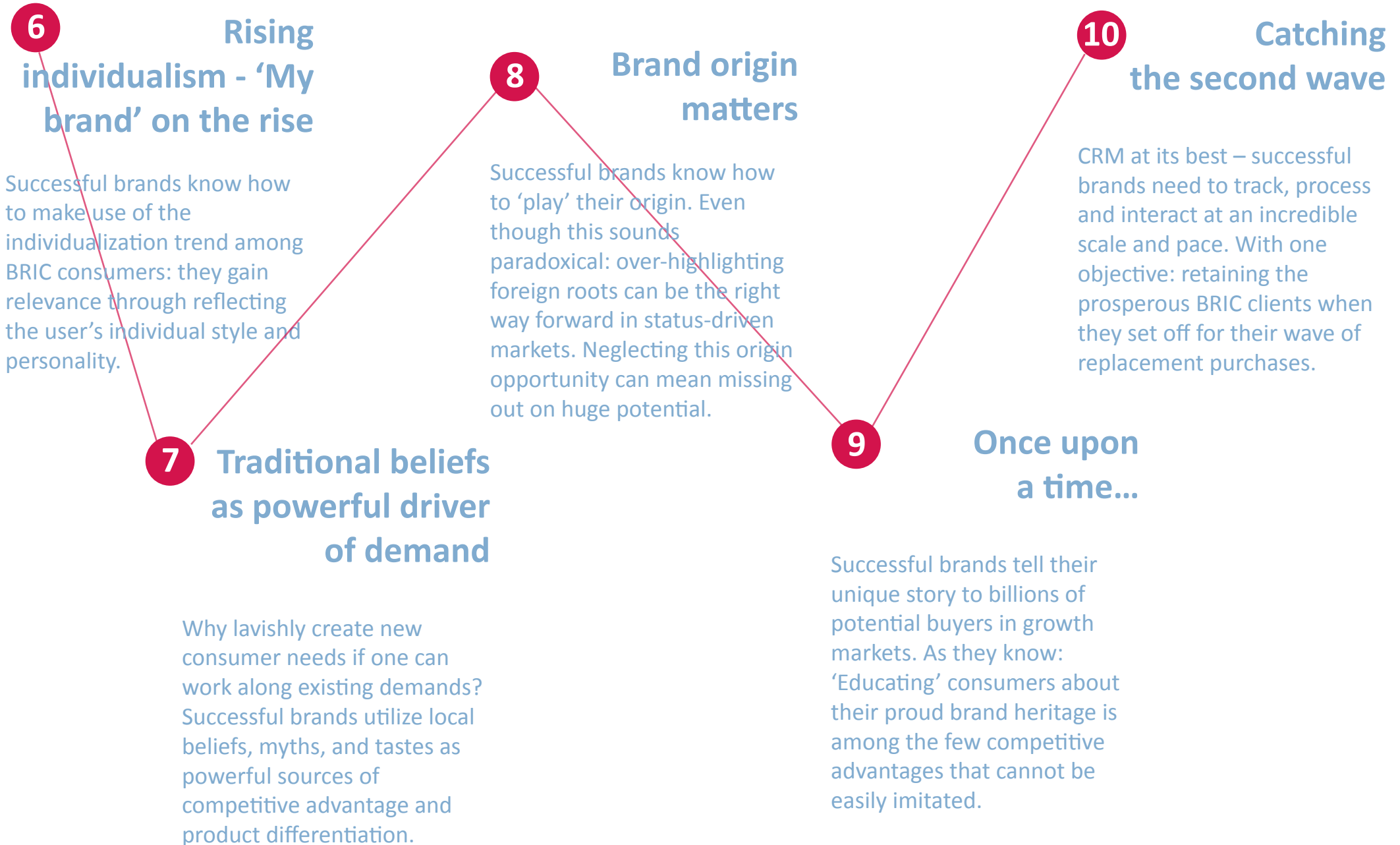
A total of 25 strategies and frameworks will be provided as answers to the major challenges that marketers and brand managers are facing in large emerging markets. All provided knowledge is based on real business observations, professional insights and

scientific data rather than on a purely theoretical perspective. Many of the impact factors and resulting implications are not unique to the BRICs - they work in any context where brands cross borders.

Please see the following pages for an overview of the 25 strategies

25 strategies and frameworks for brand growth





11

Expanding along regions and city clusters

Successful brands appreciate the vast regional diversity within the BRICs. Instead of applying an unfitting country-level approach, they focus on expanding along promising city clusters.

12

Purchasing local success

Winning over the more traditional consumers can be a tough challenge in emerging markets. Successful brands sometimes simply buy their way to market supremacy: they acquire a local brand and hence its customer base and local distribution network.

13

Stretching downward, rising upward

Successful brands sometimes conduct a vertical brand stretch to catch the vast market potential of middle and lower income segments. This huge potential also holds risks: a careful management is needed to avoid premium brand dilution.

14

Separate brands for separate markets

Successful brands not wanting to vertically stretch tend to create separate brands for the promising middle market. This strategy allows harvesting consumer's varying readiness to pay at different ends of the market.

15

Leveraging through horizontal stretching

Successful brands leverage their well-known brand names across different areas of expertise and hence save vast resources. And it works: the consumers tend to accept even wider brand stretches.

16 Stronger use of corporate brands

Successful corporate brands utilize their strong umbrella to boost their individual brand's awareness and reputation – either through a 'branded house' strategy or strong corporate endorsement.

17 Flooding the category

Successful financially strong brands sometimes offer a number of brands with different positioning within the same category. This way they appeal to a larger customer segment, allowing a faster and higher market penetration.

18 “Experientialization” – communication that changes behavior

Successful brands appreciate how difficult it is to attract BRIC customers to try a brand. The solution: 'Experientialization' – they design first-hand experiences and activities to demonstrate and convince how a brand can enrich a customer's life.

19 Premium for everyone

Tens of millions of emerging market consumers are trading up – premium products are not just for the wealthy anymore. Successful brands use this major 'premiumization' trend for their own products and marketing.

20 Home or abroad – the brand schizophrenia dilemma

Successful brands make smart decisions about whether to research, develop and manufacture home or abroad. As they know, the right balance between their national identity and local commitment is essential.

24 Getting ready for the perfect storm

Successful foreign brands know they face a higher risk of public criticism in state-controlled media and the social web. But they are prepared: with strategic tools such as crisis monitoring they get ready to respond when the 'shit hits the fan'.

25 The power of relations and politics

Successful brands understand the importance of institutional environment and administration relations in the BRICs. They build and maintain good relationships with those in charge.

22 Think social and co-create

BRIC 'netizens' love to share information, ideas, and recommendations in the social web. 'Social' and 'business' go well together. Successful brands seize this opportunity to run cross-media campaigns that improve direct interaction and spark co-creation between brands and their customers.

21 The age of tweets, likes and uploads

Digitalization has taken over the BRICs. Thus, successful brands know building their brand in the digital and mobile sphere is key to be successful among the most wired people on the planet.

23 The mobile revolution

The 'great migration' from PC usage to mobile devices has created a new marketing world: successful brands adapt to the new realities and strategically exploit the mobile channel for their communication.

Emerging market brands put pressure on their Western peers

The new champion brands

Familiarizing yourself with the large emerging markets is important, because urbanization, better education, younger labor forces, and rising consumption in Tier 2 and Tier 3 cities as well as the vast rural hinterlands, are setting up these continent-like countries for many more years of growth.

Significant room to grow in the dynamic middle-income segments is only one reason to intensify international expansion with a focus on the BRICs. The other key reason is the accelerated overseas expansion of a rising number of new champions from countries like China or India, which have gone on a buying spree in Europe and the US.

Western companies need to learn how to compete with these new juggernauts on their home turfs, before being attacked in their own premium markets only a few years down the road. Global consumer electronics giants like Samsung, Sony and Apple are already feeling the pressure of Chinese brands like Lenovo and Xiaomi, and the global automotive press has started to speculate whether Jaguar (now owned by India's Tata Motors) can challenge BMW.

Haier



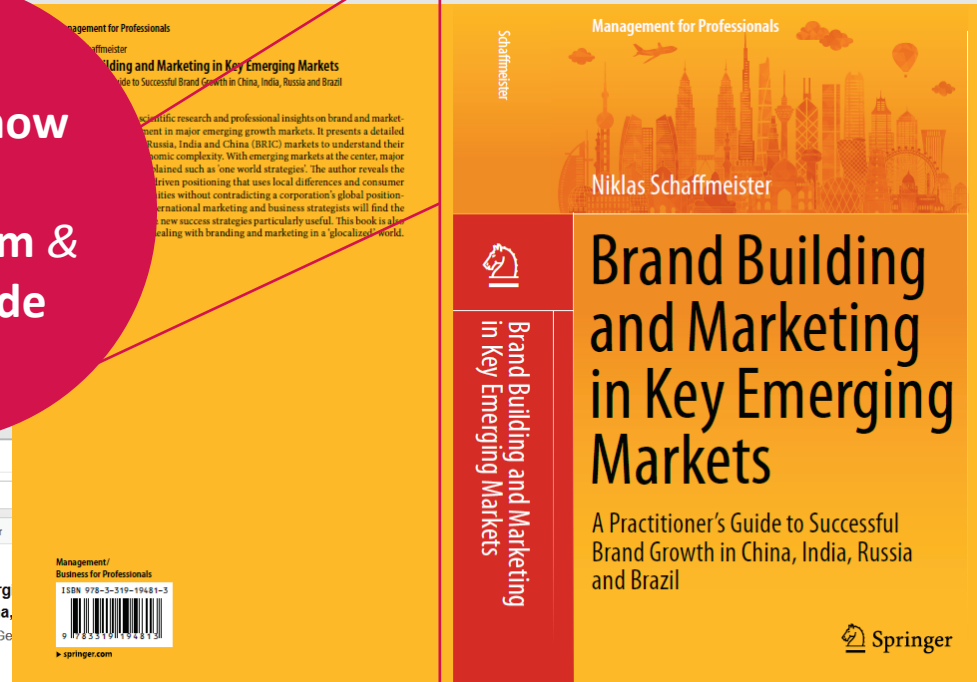
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The author

Dr. Niklas Schaffmeister is an expert in brand management and growth market strategy based on the specific needs of local markets and their consumers. He specializes in the development of market-driven positioning concepts for leading global brands. He is also experienced in digital brand development, lower-tier marketing approaches and the introduction of emerging-market brands to the world stage.

Dr. Schaffmeister looks back on 15 years of project experience in the automotive, retail, chemical, technology, white goods, consumer electronics and financial services industry. Numerous global blue chip clients, both B2B as well as B2C, have benefited from his industry knowledge. He is often-cited in leading global business publications. He is Managing Partner of globeone – a strategy consultancy focused on strategy, brand management and communication. From its offices in Germany, Switzerland, South America and across Asia, globeone combines global strategy and local opportunity to help brands with brand adjustment and market-driven positioning where it matters most.

He holds a Ph.D. degree in Marketing and a Master of Business Administration from the Free University of Berlin. During his Master and Ph.D. studies, Schaffmeister was a visiting scholar at University of Michigan in Ann Arbor and Chinese University of Hong Kong, and served as guest professor in the global MBA program of Shanghai University. He has published numerous articles and surveys, among them the comprehensive globeone BRIC Branding Survey as well as the globeone Emerging Brands Survey. He is fluent in English, German and Mandarin Chinese and spent eight years of his career living in Shanghai, Beijing and Hong Kong.



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