



Riding The Emerging Market Wave

By: Suresh Sethuraghavan

“The economic borderlines of our world will not be drawn between countries, but around Economic Domains. Along the twin paths of globalization and decentralization, the economic pieces of the future are being assembled in a new way.” - John Naisbitt, Author of Megatrends



Suresh Sethuraghavan

The economic boom in the emerging markets like India, China, Brazil et al., coupled with downturn in the developed markets have redefined the business landscape. It is a well known fact that the robust economic growth of emerging markets has been fueled by the rapid globalization over the last decade as well as other market-specific factors such as industrialization, consumerism, entrepreneurship, urbanization, technology adoption, advancements in communication infrastructure and so on. It is estimated that by 2015, the emerging economies will account for about one-fourth of the world GDP and by 2020, every second consumer will be in these markets. So it is not surprising that these emerging markets are now a very critical piece of business growth strategy for most progressive firms in the developed markets. They are either already there or planning an entry soon.

However, emerging markets present unique challenges of their own because of their distinct characteristics. The economic, demographic and socio-cultural forces influence the market composition and consumer needs and attitudes. Therefore, success in these emerging markets requires a deeper understanding of market dynamics and its implications.

Typically, firms have access to a lot of information on the commercial and regulatory issues which guide them on setting up their operations in an emerging market. And that is the part which usually consumes a lot of the firm's leadership attention, time and resources at the entry stage. It is thereafter the firms begin to take a deeper dive into the market learning and customer understanding. But more often than not, such an 'afterthought' approach turns out to be an expensive process fraught with course corrections. And this is not limited to firms which are very new to the market. There are also examples of foreign firms that have already been operating for a while in the emerging markets which have found themselves stuck

and are going back to the drawing board to rethink and revise their market entry strategy.

To mention a few examples of missteps in an emerging market like India, Kellogg's took a few years to understand that the Indian consumers do not have cold milk with cereal and therefore had to change its cereal composition to suit the hot milk being used. Ford's entry into India with its Escort model was a failure as it was not designed for the Indian roads. Today, their highly indigenized cars are not just well engineered but with smart sourcing strategy, they also meet the expectations of the very value-conscious Indian consumer. McDonald's, too, took a while to really leverage the India market opportunity until it introduced in its product range items like MacTikka, Paneer Wrap

which appeals to Indian taste buds and also took a bite of the local competitors market share!

Broadly, the key questions that a firm must address to effectively plan or reconfigure their emerging market entry approach are strategic, functional and executional in nature. The strategic piece is about the WHY (are we in this new market) while the functional part is about WHAT (is our offering and value proposition for this market) and the execution piece addresses the HOW (will we succeed in this new market).

The strategic commitment of the firm can be gauged by asking if the emerging market goals have been integrated in the corporate mission and business plan.

More importantly, does the emerging market strategy have the leadership executives' support and financial commitment for the market entry and their willingness to invest in human capital with global expertise. The functional capabilities of the firm to compete in the market can be determined by considering factors such as investment in R & D, culture of innovation, production processes, quality, cost structure, product development and competitive landscape.

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The executional elements that decide what it takes to be successful in the emerging market would include the firm's understanding of local market, the business culture and norms, brand-building initiatives, supply chain and logistics efficiencies, relevant distribution channels and having the right partners across the value chain. A planning framework that builds in these key areas will give a holistic perspective of where the firm stands with respect to its current understanding and abilities to successfully enter the specific emerging market. Such a framework will be an essential to a good market analysis, identifying the gaps and creating the strategic pathways to closing those gaps and understanding the operational and financial implications of adopting a particular market entry strategy.

All said and done, at the heart of most successful market entry strategies for firms in high- growth, emerging markets, is their deep understanding of market segmentation, consumer needs, triggers and barriers to buy and creating products and services that deliver the most competitive value in the specific market. That would imply having flexibility in their business model that results in multi-tier product offerings, leveraging local production facilities, developing local supply base that delivers the desired quality at right cost and using the relevant channels to access local customers. In other words, it has meant having a hybrid "GLOCAL" approach – building a brand with a global leverage and a local heart! So the mantra to winning in emerging markets is GLOCALIZATION.

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