



HOW TO DOMINATE THE WORLD

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HOW TO DOMINATE THE WORLD

Take a walk through the shopping streets and malls of the world nowadays and it's not easy to tell which country you are in.

The fast foods are the same.

The shampoos are the same.

The soft drinks are the same.

Global brands have swept the world.

And today they are in very strong positions.

But

All these global brands have one thing in common.

They were designed in rich Western countries for rich Western tastes.

And then adapted for poorer people when the world globalized in the 1990s.

And there lies their vulnerability.

No one would create a global brand this way today.

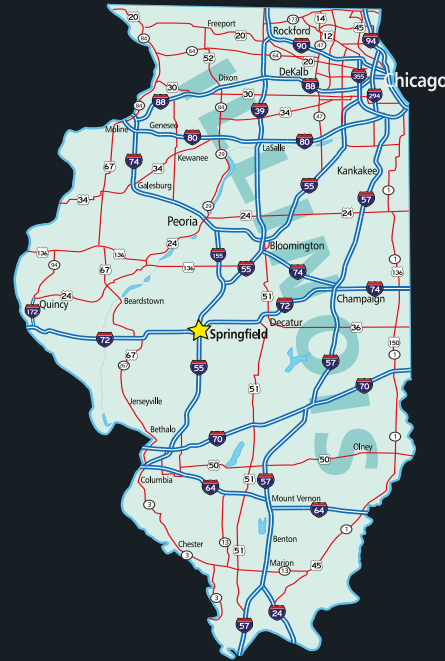
They would instead ignore the one billion rich, aging niche that is twenty-first century Europe and the United States.



Western consumer goods brands are struggling with regulatory issues in China.

But many are also the wrong brands.

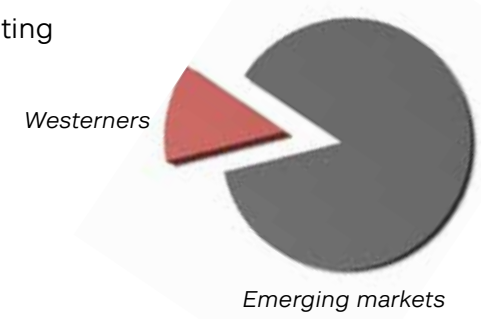
Last year Mrs. Schmidt of Peoria, Illinois received a 10% pay cut.
As did her sister in Europe.
And both their partners lost their jobs.
Meanwhile on the other side of the world, Mrs. Wong, Mrs. Singh and Mrs. Martinez all saw their 2004 incomes double.
As did their partners.
For every Mrs. Schmidt there are seven Mrs. Wongs, Mrs. Singhs and Mrs. Martinezes.
They're ten years younger.
They want it all.
And they want it now.
So who are you going to make your global brand appeal to?
Mrs. Schmidt?
Or the future?



And design the brand for the 85% of humans who live in emerging markets.
And if they did that, with a functional benefit that talked to their needs.
And with an emotional benefit that talked to their lives and aspirations.
They might have a winner on their hands.
And the first serious challenge to the global marketing orthodoxy of the last twenty years.
This booklet is about how to do it.

WHY TARGET A NICHE WHEN YOU CAN TARGET THE PLANET?

GLOBAL POPULATION:



THE ACHILLES HEEL OF GLOBAL BRANDS

Over past two decades, global brands have spread across the world.

Today they fill the supermarkets of Brazil, Russia, India and China, as well as Mexico, Indonesia, Vietnam and the other 'Next Eleven' emerging markets.

They have reached corner stores, wet markets and remote villages too.

And five of the world's seven billion people buy them.

Adapted

Their packages have been adapted of course.

Some consumers in emerging countries have much less money to spend than Americans, Japanese or West Europeans.

And some adaptations have been very effective.

Sachets of Western laundry and shampoo brands sell well to those who can't afford an entire packet at once.



Much of India remains poor.



But Indian streets are filling with modern cars.



Indians are buying premium cable for their HDTVs.



And one Indian adult in two now carries a cellphone.

Smaller jars fit better in smaller emerging market cupboards and fridges.

\$20 cellphones have reached the pockets of peasant farmers everywhere.

But

Whilst they are successful, these big global brands all share something in common.

Nearly all were invented by Westerners for Westerners during the boom in brand creation from the 1950s to the 1980s.

They were designed for people today earning typically \$40,000 a year.

But they are now being sold to customers on \$3,000 a year.

It's quite a leap.

The consumer they were designed for looks nothing like the global consumer of today.

But aren't emerging market consumers getting richer?

Sure, consumers in emerging markets are getting richer, and rapidly so – consumer incomes in China, India and Brazil rise by 7% to over 10% each year.

But they are never going to be as rich as consumers in the West.

Meanwhile, the Chinese economy will soon eclipse the American economy with Chinese household incomes one-fifth of those in America.

India will follow with incomes even lower than that.

We are entering a new era where the tastes and desires of poorer people are coming to dominate the consumer goods business.

**BRICS, CIVETS,
NEXT-11, D&E,
HIGH-GROWTH
MARKETS**

Over the past twenty years, every big consumer goods company and investment bank has developed their own description of the countries outside North America, Western Europe and Japan, and has changed it, and then changed it again. For this booklet, we're calling countries either 'The West' or 'emerging markets'.

Your company may disagree with the words. But at least our definition is simple.



In 1995, the only global brands stocked in Tibetan village shops were colas and sachets of anti-dandruff shampoo. Today their shelves are full.

Consumers in emerging markets are different too

People in emerging markets are very different to Westerners.

They have different demographics, different attitudes and different priorities.

The average human being:

- Is a decade younger than the Western consumer
- Grew up with generation gaps greater than anything ever seen in the West
- Shares a past – but it is not the past of rich people.

So a brand designed to appeal to a suburban American housewife is never going to be the right brand to appeal to the new generation of young adults in the emerging world of the 2010s.

New brands are needed.

Brands that talk not to the rich.

But *mass market* brands which talk to the lives and aspirations of the *average human being*.

*It's twenty years since
the Berlin Wall fell and
globalization started in
earnest.*

Time for new thinking.



HOW TO BUILD A NEW GLOBAL BRAND

20 RULES

1. THINK ZEITGEIST

Many Western marketers say it's impossible to build a global brand from scratch because there is no global culture to base one on.

But there is a shared global culture. It's just that they can't see it because they are not part of it.

In the emerging world, the early 90s were a dark time:

- In apartment blocks in Eastern Europe, pensioners were starving to death.
- Most Chinese were subsistence farmers.
- Many Indians had insufficient food to eat, no TV, no phone and no prospects.

Over time, everything became better.

And then it became better again.

Today, the young adults of the emerging world stand at the end of a twenty year rollercoaster where they



Many Western brands have the wrong attitude.



Sao Paulo 2010



Delhi 2010



Chengdu 2010



Kathmandu 2010

have fought their way out of the favela, shaken off the reins of communism, and become the first generation in a thousand in their family to have a non-subsistence existence.

The last twenty years has been the best twenty years ever.

The sense of optimism, and that anything is possible is tangible all over the emerging world.



For many Westerners, the 2010s will be tough.

However

Global brands don't recognize this because nearly all are managed in the West, where the last twenty years have not been great.

- In France, the 1990s marked the end of easy living and social development, and the beginning of mass youth unemployment and social tension in suburban housing projects.
- In Japan, 1990 marked the end of the bubble and the beginning of people sleeping on the streets of Tokyo.
- In the US, the 1990s marked the end of full employment.

As a result, many Western global brands have a very serious tone.

So

A global brand needs to shake off the gloom and celebrate these past twenty years:

1. When someone in the emerging world buys your product, it may well be the first time anyone in their family has bought that product. So recognize and celebrate the excitement. Think a new fridge is



People often talk about the global income pyramid.

But rapidly rising incomes mean that in the 2010s, it's starting to look more like a diamond than a pyramid.

**To Westerners,
it's half empty.**



**To the
rest of the
world, it's
half full.**



FORGET U.S. DEMOGRAPHICS

Many global marketers have tried to impose the cultural experience of Americans on the global consumer, talking about the Baby Boomers, Generation X, Generation Y and the Millennials.

But this segmentation has nothing to do with the global consumer:

- Globally, there was a baby boom. But it peaked in 1975, not 1950.
- Even in Europe, the American demographics don't work. The European baby boom peaked in 1964 at the start of Generation X, not during the US 'Boomer' demographic.

- For the 'Boomer' generation in China, the sixties was not a drug fuelled haze. It was the Cultural Revolution. The fiftysomething generation in China has struggled ever since because they were so busy being Red Guards at school that they didn't get to learn to read and write. Many still can't.
- Generation X, Generation Y and the Millennials don't work either.

American demographics are not global demographics.



Global ad campaigns are boring because their creators aren't tuned into the global zeitgeist.

- boring? It isn't if you are the first person ever in your family to own one.
2. Raise your sights. In societies where everything just keeps on going up, people are starting to believe that anything is possible. You may just be selling laundry detergent. But many poorer women are buying liberation from fifteen hours of drudgery a week.
 3. Think positive. Most Westerners think that the world is going to be a tougher place for their children than it was for them. No one in the emerging world thinks that way.
 4. But don't come across as arrogant. Many Western brands act superior. A brand that talks down to 85% of its prospects will never be a brand they identify with.

2. THINK TRIAL

Western marketers have lost their way because they live in societies where the average age is 40+.

Over the past few decades the Western world has gotten older.

The average person in Italy is 43 years old.

In Japan the median age is 44.

And that aging has slowly altered Western marketing culture:

- Westerners have stretched the target audiences of their brands by age. In very old countries in Scandinavia, consumer goods brands can have target audiences aged 20 to 60.
- Marketing budgets have shifted from trial to retention. There aren't many new adults to recruit; but there are many existing customers to keep.

With trial less important, many big Western global brands have lost their simplicity. They have bloated into complex propositions and multiple brand values.

Which is a shame.



In Brazil, 40 year olds are an elderly niche.



In the 1990s, young Russian women received samples of shampoo as they exited metro stations.



Promotional staff handed out individual Western candies in department stores in Sichuan.

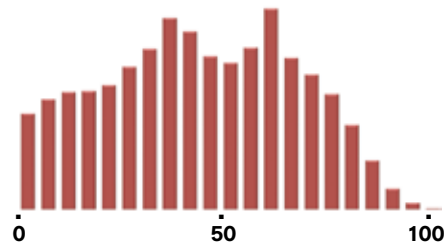


Across Brazil, marketers set out to sample over 30% of the population.



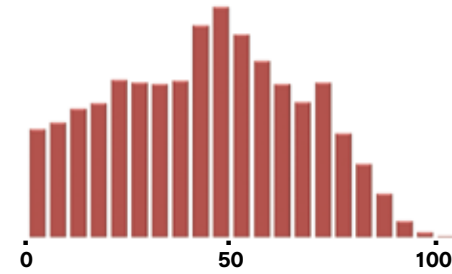
In the 1990s, sampling was arguably a bigger marketing change than the internet.

JAPAN
AGE PROFILE



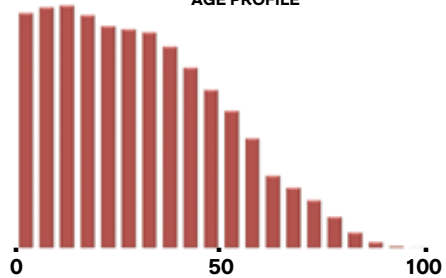
In Japan, marketers focus on retention because there aren't many new adults to recruit.

GERMANY
AGE PROFILE



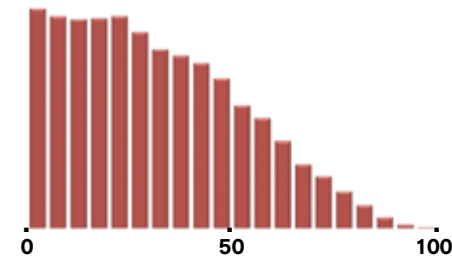
It's the same in Germany, where the median adult is close to pension age.

INDONESIA
AGE PROFILE



But it's the wrong strategy for the rest of the world.

ALL HUMANS
AGE PROFILE



The average human is aged under 28, so globally, trial is what matters..

Because globally, marketers are talking to a very different consumer.

The average age of Indians is 26.

The average age in much of the Middle East and Africa is under 20.

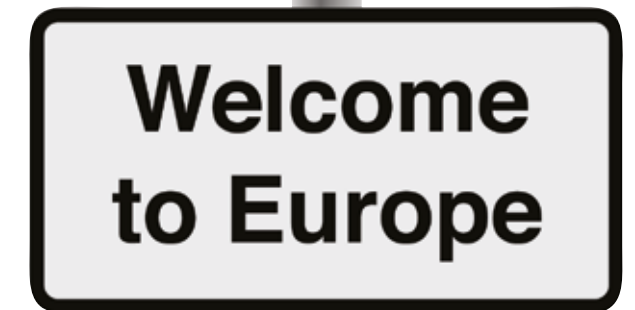
Even when you add in the West, the average age of all humans is only 28.

Globally, brands are marketing to billions of young adults who are eager to try the fruits of the boom for the first time.

And that means globally, trial is absolutely central to marketing:

- A brand that wants trial needs its elevator speech. In the same way that Pepsodent removed the yellow from US teeth in the 1930s, the global consumer needs to know 'What's in it for me?', rather than be presented with a set of blurry brand values.
- Established global brands may talk about brand values today, but that's not how they got there. Most did it by painstakingly building usage occasions. Coca-Cola's 'The Pause That Refreshes' and deseasonalization campaigns from the 1920s and 1930s are models for global brand building.
- The easiest way to get people to try something is to put it in their hands. Which is why big consumer goods companies experimented with mass sampling exercises in Brazil, Russia, India and China in the 1990s. Sampling, rather than

Looking for young adults to try your brand? Try emerging markets rather than Europe.



the internet was arguably the biggest marketing revolution of the 1990s.

So:

1. Time for a spring clean on your brands. Any brand value that isn't part of the solution is likely to be part of your problem.
2. Work on the elevator speech for your brand. Many big Western brands have become so sophisticated in their communication that they have forgotten what their essence is.
3. Does your brand involve music, video or software? Digital sampling exercises are likely to be the future of your marketing.



*Be careful how you sample.
Four billion people out
there have no formal postal
address.*

3. THINK VISUAL

Back in the United States in the 19th Century, entire cities spoke German, and millions of immigrants knew little apart from their East European tongue.

And around a quarter of Americans couldn't read.

So branding was mainly a visual affair.

You put a big picture of a tiger on your pack, you called it tiger brand and everyone knew what to ask for.

Then

Then English became the standardized national language of America, and everyone learned how to read.

And things became more sophisticated.

Brand conceptualization stopped being simply about picking a visual icon, and became the province of brand naming companies.

*Around 900 million
people speak English as
a first, second or good
foreign language.*



*Six billion other people
don't.*

These brand naming companies were full of literature graduates.

So visual branding went out, and verbal-based branding came in.

Which causes problems

All of which today causes problems for globalized American brands:

- There are hundreds of languages in use in the world today. So any brand which relies on its name meaning something in English has problems.
- Even the abstract Italianate names favored by car companies struggle in Chinese, where no sound is abstract, and always has to mean something.
- Just like in the United States in the 19th Century, a big part of the world's population has problems with reading.

All of which suggests that to succeed in the world today, a true global brand needs to be primarily *visual* in nature.

Think this will lead people to think those brands are unsophisticated?

Only if you believe that a modern sophisticated piece of technology would be better called a 'ZX 300 PK' rather than simply having a big picture of an apple on it.

Or a running shoe would be better off with writing on it than simply a swoosh.



Local storekeepers prefer visual signs. So why are so many global brands based on words rather than pictures?



Visual communication is simpler and clearer.



Never underestimate the power of strong graphic design: London bus, The XX.

So

- Review your brand identity policy before it's too late. Branding consultancies are sweeping through the emerging world in the 2010s, taking simple visual brands and 'de-emphasizing' the visuals that made them great.
- Check carefully how consumers identify your brand before you change your pack. The 'uncool' graphic your pack designer is dising may be how people identify your brand.
- A global brand needs to be asked for easily and simply in all sorts of retail environments, from supermarket to corner store.

Security is so weak in many parts of the world that shopkeepers hide products behind the counter, or behind grilles. Is your brand icon visible in dim light at three meters away?



*Even those West Africans
who can't read can
recognize and ask for Key
brand soap.*

*Because every bar has a big
key stamped on it.*

4. THINK YOUTHQUAKE

Hope I die before I get old.

In the 1960s, Western psychologists talked of a 'generation gap', between war generation parents and their sense of duty, austerity and sacrifice, and their hedonistic teenage kids, who were more interested in playing nude party games on a cocktail of mind-expanding drugs.

- The generation gap allowed consumer goods companies entry to markets by creating distinctively different brands with the values and attitudes of the young generation:
- 'Choice of a new generation' was the watchword for brands as diverse as jeans, cola and fast food.
- Personal care products launched unisex variants aimed at young couples.
- Vacation brands like Club Med launched with distinctive hippy features like paying with beads instead of money.

**'Global
marketing is
youth marketing.'**

**GLOBAL MARKETING DIRECTOR,
LEISURE INDUSTRIES**

- Even Twix was launched in 1967 as the only snack designed to be shared by a guy and his hippy chick girlfriend.

Today, the generation gap in the West is less, as parents did the same stuff at college that their kids are about to do.

Meanwhile in emerging markets, the generation gaps are massive:

- A typical 15 year old has grown up in the same SpongeBob and Dora led culture that Western kids have. But her mother grew up poor, without a TV or toys, and her grandmother grew up a peasant, with no sense of personal free will.
- The equivalent at slower Western standards of growth would be a child of today growing up with a mother from the 1940s and a grandmother at home from the 1890s. Granny thinks she should decide whom the granddaughter gets to marry. Mom thinks she should remain a virgin until she does so. All the granddaughter wants to do is party at the coffee shop or KTV bar.

So

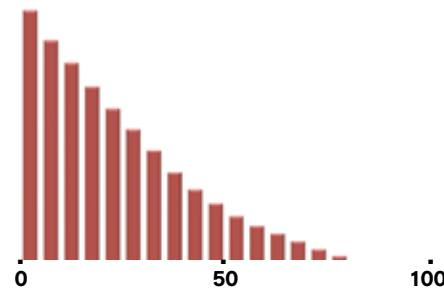
So global brands need to leverage this generation gap:

- Recognize the themes, values and aspirations of the generation you're targeting, and identify with them. People born in 1990 in emerging markets don't get the conservative 'waste not want not' attitudes of those born in 1980.
- As Western cosmetics brands rush to reposition themselves as anti-aging products, where are the global brands aimed at the twentysomething



In most Arab countries, half the population is under twenty.

NIGERIA
AGE PROFILE



When you're talking to Africans, you're talking mainly to teenagers.

- women of the 2010s? Dating is their priority. Anti-aging isn't even on their radar.
- Consider a fashion angle to whatever you're selling. To you it may be just a dishwashing detergent. But to a 22 year old in the emerging world, coolness matters in all things.

5. THINK STATUS

In rapidly growing economies, the prime use of wealth is the display of wealth.

To humanitarians, the rapidly rising living standards in the emerging world are unalloyed good news, as they drag people out of poverty.

But to someone living in those countries, it doesn't always feel like that.

Most people see some of their neighbors fall behind in the rat race, and other neighbors streak ahead.

And they are forced into the age-old game of keeping up with the Joneses.

This has many effects on emerging market society:

- Status symbols acquire a significance they don't have in the West. Young adults in particular see the acquisition of status and its symbols as the be all and end all of their existence.
- The best status symbols are the ones other people can see all the time. Which is why many women will

Many young Thai men spend a quarter of their monthly income on a bottle of premium whisky to impress women passing their bar table.



Dreams are made of concrete and steel.



spend - or have spent for them - twenty percent of their annual income on a high status handbag.

- Pretty much anything that your friends, dates and neighbors can see has a status angle. Air cons, fridges and LED TVs are all symbols of your rising status in the world.
- In affluent, but still fast-growing Singapore, status has been codified into the five Cs: Credit card, Condo, Country club, Car and Cash. Without these, most nice, middle-class girls won't let you past first date.
- In the developing world, security considerations combine with money to create unique status symbols. In Sao Paulo, the risk of armed carjacking is significant, so the status symbol of choice for company heads is the armored SUV, with inch-thick windows and Kevlar panels throughout.
- Things which are difficult to source have higher status than things that are easily available. So sushi is the trendy cuisine in Moscow and Kiev.
- As rising income sweeps through a city in the emerging world, status symbols are



An armored car gives you an extra fifteen seconds to get out of an ambush. Use them well.



Most luxury goods brands report that their biggest market is now China.

adopted almost as fashions. Aircons were the cool thing to have in Shanghai in the mid nineties;



A girl who has nothing still has her hair. Many village girls spend 25% of their income on haircare.

today it's 3D TVs. Meanwhile in secondary cities in China, and in India, aircons are the thing to have.

- Not all status is in the real world. The amount of money spent in China on magic swords and invisibility capes in online role playing games exceeds the total size of the Chinese online advertising market.
- Even those at the bottom of the pyramid need status. When mobile phones swept townships in South Africa, sales of expensive running shoes dropped, as people switched status symbol.
- A girl who has nothing still has her hair. Which is why many a poor girl will spend a quarter of her weekly income on shampoo and haircare products to make sure she's looking good at the dance at the weekend.
- Even remote tribes compete over the status of consumer goods. The Warauno Indians of the Orinoco delta in Venezuela live in stilt huts and fish for piranhas by dugout canoe. But the richer Indians' canoes now have Suzuki engines on the back. And all the girls know the guy to date is the one with a throbbing 60KW motor on the back of his dugout.

So

The implications for global brands are enormous:

- The modest, understated nature of many Western clothing brands is completely wrong for emerging markets. If you've paid extra for a logo, people want to see the



If you make it, they will come.



Strolling through malls is a big pastime in Istanbul.



And in Sao Paulo.



And in Kuala Lumpur.



And throughout China.

logo. Which is why clothes with big Dolce and Gabbana logos, or big 'C's on them do so well in Moscow and Shanghai.

- There's no point in having a status symbol if your friends don't know about it. So if you're selling microwaves and fridges, work out how to socialize their purchase.
- Is your super-premium whisky or cognac doing well in Asia? You can never get too much status in Asia. So consider a hyper-premium variant.
- Similarly with food. 'Dine like an oligarch' is a powerful proposition in Moscow or St. Petersburg.

'With the greater part of rich people, the chief enjoyment of riches consists in the parade of riches.'

**ADAM SMITH
THE WEALTH OF NATIONS**



Check out Y&R's analysis of envy as a marketing motivator.

Pubs.yr.com/envy.pdf

6. THINK SMALL

The global consumer has a lot less space than the Western consumer. Global marketers ignore this at their peril.

Most products produced in America come in a big box.

In the instructions, it says that if you want to complain about the product, you have to return it in the big box.

Which is fine if you are an American with a 200 square meter home or a German with a 100 square meter unused basement to store it in.

But it's pretty hopeless if you're anyone else.

If you live in East Asia, you're used to living with much less space. Typical apartments in Tokyo, Taipei and Seoul are 60 or 70 square meters.

So East Asian companies have always designed things smaller.

There's not much space for groceries in a shared taxi.



MEKNES, MOROCCO

Y & RUBICAM



Getting your shopping home on the bus isn't easy.



Especially if it's small, and packed with people.



Autorickshaws can be expensive.



For many, the family bike is the only solution.

And because most of humanity has very little space, East Asian products like flat panel TVs won out in the 1990s and 2000s.

No car

'Think small' is good for other reasons too.

Big products are difficult for the global consumer to take home.

In Thailand, Tesco noticed that most of their shoppers were coming long distances by bus and tuk tuk to get to their stores. So they decided to drop their European hypermarket concept and open local stores instead.

By doing so, they beat their competitors, who had opened big, out-of-town hypermarkets that people could only reach by long, complex journeys.

Nowadays this logic works in the West too.

In Europe, Carrefour and Tesco realized that many people struggle to get to their big out of town stores, and built neighborhood stores to cater for those who have no car, or who choose not to use it.

Is the future of mankind the American model of shopping by car?

It's unlikely.

There isn't enough space on the roads for another four billion cars.

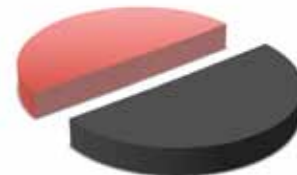
The 'Just-in-time' consumer

Another reason small is good is that many people in the world don't have enough money to afford big packages.

Cost conscious Americans go to Costco and buy up six months worth of goods.



As American food companies discovered a while back, quart jars of mayo don't fit in the global consumer's fridge.



For thousands of years, mankind lived in villages. But by 2010, half the world's population had moved to live in urban environments.



In most of the world, people can't afford big, Western packs.



So most of the world buys in sachets.



In Brazil, traffic jams are big sales opportunities.



In Turkey, most people prefer to shop at local markets than to travel to out-of-town stores.

But emerging market shoppers can't do this – because many only have enough money in their pocket for the next week, or in many cases for just the next 24 hours.

So they buy in small packs and sachets, which will last them a day or two.

Toyota also uses this system.

It's called 'Just In Time' production.

'Just in time' may be the future of everyday consumer goods too.



In 21st Century cities, most people don't have much storage space.

7. THE AWESOME POWER OF TELEVISION

The Western world's downer on the brand building power of television is screwing up global brand thinking.

In the 1950s, television transformed the business thinking of big consumer goods companies.

Television was more than just a medium for communicating information - it could shape the wants and desires of entire countries, and it could do so overnight.

It was the only medium that could put an idea in the national consciousness.

It was the only medium that could create mass awareness of a product or idea.

And it could do so very, very fast.

Then

Then in the seventies and eighties, all types of other marketers from financial services to phone companies to utilities to airlines

In the nineties, every remote village in the world saved up and bought itself a satellite dish.



discovered television, and the price of Western consumers' attention went up and up.

As a result, consumer goods companies could no longer afford the heavyweight campaigns they needed for their brands.

And so the culture changed

Their media heads revised their minimum TV weights.

Their advertising agencies, divorced from media departments, quietly forgot about their 'S Curves' and arguments about spend thresholds.

And market research agencies gave up trying to measure the effect of television on brands, and instead started to use easier measures like ad recall.

Television's reputation as a shifter of minds and as a builder of brands faded from the marketing consciousness.

And many global marketing managements in Europe and the United States quietly gave up on it.

Meanwhile

Meanwhile in emerging markets, four billion people went out and bought a television.

Over 98 percent of Chinese today have a TV at home.

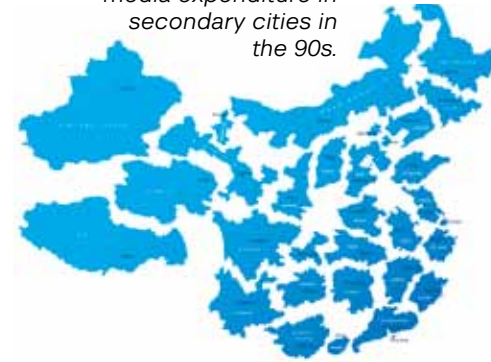
And TV penetration in India will reach 90 percent by 2014.

The conditions for a global mass market - the availability of cheap mass media - have arrived.

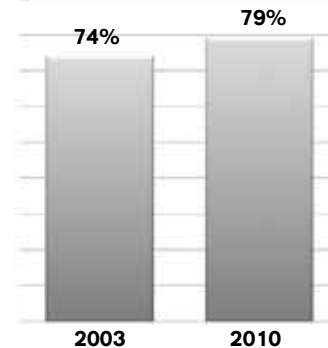
Should we say television, when we mean video streams?

In China, a lot of people find state TV boring, and tune into internet channels for an evening's entertainment, watching for seventy-five minutes at a stretch.

The most successful brands in China today took big risks with media expenditure in secondary cities in the 90s.



% OF ALL HUMAN HOUSEHOLDS WITH A TV



Four in five households around the world now have a TV. The time is ripe for global mass marketing.

Source: ITU

So Hulu-type video streaming sites are much bigger than in the West.

These internet channels are smart. When the video stream buffers because of congestion, ads drop into the stream.

And these ads work in exactly the same way TV advertising works – adding reach and frequency to TV campaigns, and pushing up awareness and brand measures just like television does.

The future of marketing is digital.

But the future of digital may look remarkably like analog TV.

So

1. Is your brand in shape for heavyweight TV? If it has twenty brand values and a rich, multifaceted value proposition, it isn't ready for prime time.
2. Loss of confidence in TV in the West in recent years has been so high, that television is again an affordable medium to consumer goods brands. Time for a revival, and not just in emerging markets.
3. No risk, no reward: The first brands to use television in China in the mid 1990s achieved mass brand awareness very cheaply. But they did so with no research, no tracking, no media audits and often no hard evidence that a TV station they were paying in some secondary city in China existed. As IPTV explodes in the 2010s, it's time to take risks again.



Many people couldn't live without their dish.



Rule one of successful TV branding: find a good idea, and then no U-Turns.

8. THINK FAST

Whilst the West stagnates, the global consumer is living through the fastest changes in history.

When a property developer in Europe decides to create a new mall, they typically spend the next five to ten years negotiating the legal rights to the site, and sorting out planning permissions. Not so in the emerging world:

- In Shanghai, that shopping mall is open within six months.
- People from China who spend a year abroad always worry that they won't recognize their home town when they get back to it.
- In Brazil, the skyline of Sao Paulo is unrecognizable from ten years ago.

The speed of things is so much faster in the emerging world.

As a result, many young people in the emerging world have little sense of tradition.



Many people aged 35+ in emerging markets can't cope with the rapid pace of change.



To 19 year olds, the 20th Century is ancient history.

It's what is here and now that matters.

Youth know nothing

Young adults in emerging markets are all about here and now.

When Western advertising agencies go out and study them, they nearly always look for the trends that older people don't know about.

And thus their reports come back talking of the latest rap trends, fashions and street styles.

But when they do this, they miss out on what is perhaps a much bigger source of youth mentality.

When you're 19 and everyone around you is 19, you don't have much of a sense of history.

In fact you don't have much of a sense of anything.

You don't think of yourself as coming out of a history of communism. Because communism ended before you were born.

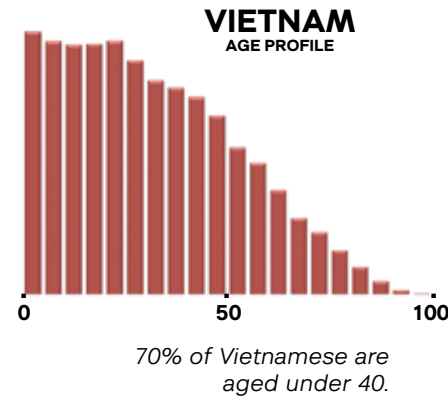
You don't get why your parents have different values to you. Because you weren't there when they grew up.

It's not so much what you know.

In a young society, it's what you *don't* know that makes you different.

- Who was Madonna?
- Who was Bill Clinton?
- What was a CD?

The past is a blank sheet for young adults in emerging markets.



'What was this for, grandma?'

So

- Don't spend ages trying to fit your product into past consumer trends. It doesn't matter, and they won't understand.
- Check your cultural references. The fashions of 2005 were very cool. But 2005 was a long time ago if you're 19.
- Clarify what makes your brand different. Don't assume your consumer knows just because you ran a launch campaign five years ago.



Whilst much of Europe continues to restrict shop opening hours, the emerging world wants 24/7 shopping.

9. THINK SERVICE

The Western world may have strong consumer goods brands at the moment, but it's a different picture when it comes to services.

*Bob decides he wants his house painted.
He asks his friend Dave to do it.
Dave paints the house.
And Bob pays Dave.
Dave takes the money, and goes into Bob's shop and buys a pie.
Both are happy.*

That's how services work in the emerging world.
But not in the developed world.
In the developed world, Bob has to employ Dave to



Western services used to be excellent.



But as staff costs have risen, they have gotten worse.



Many companies have cut costs, replacing staff with computers.



But few companies have asked: could computers bring back the excellent service the company once delivered?

paint the house, which means he has to pay payroll taxes, income taxes and social security, and also pay sales tax on the labor and paint.

And then when Dave goes into Bob's shop, he has to pay sales tax on the pie he buys.

And then before Bob gets the money from Dave's pie in his hand, he has to subtract payroll taxes, income taxes and social security.

In the transactions, 90% of the money goes to the state, and only 10% gets into Dave and Bob's hands.

As a result:

- Bob decides to paint the house himself, despite the fact that has no painting skills,
- And Dave doesn't get to buy a pie.

In the emerging world, the situation was much simpler.

Dave and Bob were highly motivated.

They both did what they did best.

And they both delivered.

And therefore levels of service were much higher.

Rich country service sucks

Marketers in rich countries tend to think that they are the best when it comes to inventing brands and delivering brand benefits, but the reality is that they aren't very good when it comes to services:



Standards of service are higher in emerging markets than they are in the West.



Some Western services aren't very good.

• Companies in up-and-coming countries understand after-sales service much better than those in the West. Korean electronics and household electricals companies like LG beat the Japanese by offering better after-sales service.

• And indeed, service brands that come from emerging markets tend to get much higher levels of customer satisfaction than those based in more advanced markets.

• Hotels in the emerging world have much higher standards of service too. In the

best Asian hotel chains, every employee knows that looking after guest requests is their number one job. Western hotel chains run empowerment courses, but struggle to deliver on the ground.

• Western hotel brands give you a loyalty card, but then struggle to make the system work, with complex mechanics and blackout periods. Emerging market hotel chains tend to go more personally after your loyalty. Mandarin Oriental sends their best customers birthday cards.

• Many long haul business fliers insist of flying with Asian airlines because the service standards are so much higher. A good emerging market airline's flight attendants have 300 more duties to perform on a long haul flight than a European or American flight attendant. You can see if you visit the toilet in business class. Asian flight attendants have to make sure the facility is still good. European and American flight attendants refuse to do so.



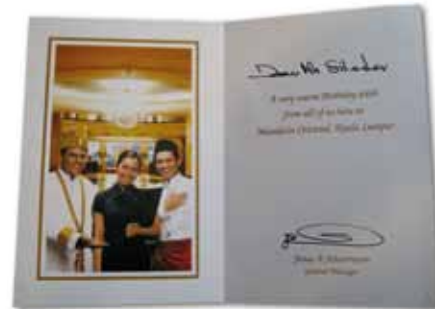
On Western longhaul airlines, they make you sit through twenty minutes of corporate guff before you get to watch your movie.

On India's Jet Airways, the movie menu goes live straight after wheels up.

This means that emerging markets are in the lead when it comes to service brands.

So

- Global service brands should be led from emerging markets, not from the West - the higher standards the brands deliver in Asia should be extended into other countries, not the other way round.
- Western service marketers spend lots of time computerizing their customer interfaces to reduce staff costs. Reducing costs is good. But where they could really win is by using computers to rebuild the service standards their brand lost years ago when Western staff started to become expensive.



Asian service brands recognize there's more to loyalty than points.

10. THINK CULTURAL NEUTRALITY

In Guangzhou in Southern China, there is an island on the Pearl River.

The island was used by the British as a base and as a storage depot in the 19th and early 20th Centuries.

At the entrance to the island is a sign every Chinese schoolchild knows.

The sign says 'No Dogs Or Chinese'.

In a 1990s US action movie, a nuclear device exploded in mainland China.

5 million Chinese died. And wasn't even considered part of the plot.

And in the Bourne movies, the secret department he belongs to is not challenged when Africans, Indians and others are being killed.

It is only when it is revealed that US citizens are being targeted for execution that the US news media take interest.

Western culture remains massively Western-centric.



Lack of visas can breed alienation: in a recent study at the University of Belgrade, 70% of students had never visited the EU.

‘When you Westerners were living in caves, we Chinese were living in cities.’



Change

Recently, some global media have moved over to a much more inclusive set of heroes and heroines.

- *Mulan* was Chinese, though a little too Filipina in attitude for many Chinese girls’ taste;
- *Pocahontas*, though Native American, had her devotees across South East Asia.
- *Dora*, a little Spanish speaking girl with big brown eyes connects as well south of the Rio Grande as she does to the north.

But most global brands have not followed.

Their focus on American and north European faces and attitudes can leave 80% of the world thinking that ‘this is not a brand for me’.

This needs to change.

So:

- If you are looking for cultural centricity in your brands, the biggest

consumer market of the 2010s and 2020s will be China.



In focus groups, people from emerging markets worry just how much of a welcome they are going to get on rich country airlines.

Shouldn’t you be worrying about how it will play in Putonghua rather than in Peoria?

- In the US, little girls and boys are encouraged to be assertive and ‘in your face’ when talking to adults. But not in Asia. The attitudes in kids’ and family brands need rethinking for global use.

THE MOST VALUABLE CHINESE BRANDS		
Rank on BrandZ	Brand	Value US\$B
1	China Mobile	56
2	ICBC Bank	38
3	Bank of China	22
4	China Construction Bank	22
5	China Life	18
6	Agricultural Bank of China	16
7	Petrochina	14
8	Tencent (portal)	12
9	Baidu	10
10	Ping An (insurance)	8

SOURCE: BRANDZ/MILLWARD BROWN 2010

Don't recognize them all? Be afraid.

To Britons, it's a symbol of remembrance for millions of war dead.



To Chinese it's a symbol of the millions of opium addicts Britain created in China in the 19th century.

- Tourists from emerging markets who hope to visit Europe and North America have to queue for hours at embassies and pass demeaning income tests and morality quizzes to get visas.
Western countries need to consider – are they alienating an entire generation of customers for their goods and services?



Christmas seems to be a piece of Western consumer culture that's going global.



Or will it be out-globalized by Chinese New Year?

11. THINK FAKE

Your biggest competitor may be a fake.

If you work in a luxury goods boutique on Shanghai's fashionable Huai Hai Lu, the thing that annoys you more than anything are the shoppers coming in with fake versions of your handbags and asking you to justify why they should pay more for the real thing.

For many brands - and not just in fashion - fakes are the main competition.

So stamp them out:

- Make it more difficult for people to copy your brand. In Russia, spirits brands spend fortunes on packaging so intricate and tamper evidence so complex that no one can afford to copy it or refill it.
- Similarly, French handbag brands now change design every year to fight the rip offs.

Or use fakes to your advantage:



'They're straight from Paris, mate.'



Stamping out fakes in Martinique.



In Ho Chi Minh City, the pirate DVD has taken over from the pirate VCD.



In some countries, 98% of software is pirate software.



Fakes in Nepal.

- The software companies that are winning in China are the ones whose software was extensively pirated in the 90s and 2000s. A whole generation of students was brought up on pirated versions of their software. And so today, that's the software they know how to use when they join multinationals.
- Many young women who will never be able to afford real Chanel or Gucci wear fake Chanel or Gucci t-shirts. In a recent study in central Tunis, 20% of young women shopping were wearing such t-shirts. Fake t-shirts are big advertising campaigns. They reinforce the iconic value and therefore the price premium these luxury brands command.
- The only worse thing than being ripped off is not being ripped off. If the factories producing fake versions of your brand switch production to something else, it's time to panic.

Whatever you do, move fast: in the DVD era, it took Chinese pirates perhaps a week to copy a new Hollywood blockbuster, add subtitles, duplicate, produce artwork and get it on to market stalls. With IPTV distribution today, that Hollywood blockbuster can be on online pirate pay TV libraries within hours of its US release.



Handbags ahoy.

12. THINK KIASU

In Europe and in the US, secure, middle class parents tell their secure, middle class kids to go off and 'express themselves', rather than work their asses off at school.

In the emerging world, everyone knows that falling back to being a farmhand is entirely possible.

For that reason, throughout the emerging world, society is 'kiasu'.

'Kiasu', a Hokkien Chinese word, meaning a mixture of 'competitive in all acts of life' and 'afraid to fail', is a common concept in Singapore, Malaysia and Fujian.

But is also equally applicable to India, Brazil and the rest of the fast-growing emerging world.

- Life is about being ambitious, getting up to the next level and never being ripped off. It's a rat race, and you have to win.
- Many succeed, only to find their friends have achieved more. In rapidly growing societies, you have to run just to stay still.



For many people in the emerging world, life feels like a staircase.



Whilst young Westerners sign up for media studies courses, young Indians are majoring in software and accountancy.

- The pressure-cooker atmosphere in family homes is intense. Life is about pushing your children, and education, education, education.

This sense of kiasu is likely to become more and more part of Western culture, as young Westerners start to compete for jobs against highly educated Indians and Chinese who are happy to work twice as long for half the salary.

So

1. Build a sense of achievement and reward into what your brands offer. If you want to know how, study American Express's marketing.
2. When they buy their first big flat screen TV, many people in India and China hold a party to let their friends know. How does your brand let a person's friends know that they have bought it?
3. As gaming and other fun aspects of computing shift from the computer to the mobile phone, home desktop and laptop computer brands need to reposition themselves more and more around education.
4. Expect universities to start building themselves into widely-known consumer brands in the 2010s, as a degree from the right university matters more and more in the jobs market. And expect the MBA to become the goal for kiasu high achievers everywhere.
5. Recognize the insecurity in your customers' lives. Westerners, particularly in Continental Europe have gotten used to social security. The global consumer has none.



Young adults in the emerging world obsess about career paths.

13. THINK CHEAP

The poor world, which quietly makes pretty much every manufactured good on sale in the West today is catching up.

Not just in manufacturing.

But also in marketing.

Today, brands from mainland China like Haier and Ningbo are creeping into the offices and homes of the West.

These brands were not designed to satisfy rich people in New York or in London.

They were designed by poorer people for poorer people.

Many Western marketers dismiss them.

'They aren't important' say Western marketers. 'These brands are only bought by price-conscious buyers.'

'They will never appeal to our core customers.'

But Western consumers have a curious way of liking brands that deliver better value for money.

And retailers like Wal-Mart, Carrefour and Tesco have a curious way of stocking them.



In 1960s America, 'Made in Japan' meant 'cheap and nasty'.

It's happened before

History is on the side of these brands.

Back in the 1950s and 1960s, Japan was an emerging market.

And Japanese brands like Datsun/Nissan and Sony came into the United States promising the same for less.

'American consumers will never fall for Japanese electronics. They are just cheap copies of American products.' said American marketers.

'The American consumer is comfortable with American brands and the values and satisfactions they offer.' said the research.

And Americans did indeed initially regard the products as inferior.

But they bought them.

And they were good.

And so their image stopped being cheap.

And started to be about reliability and quality.

By 1980, they had all but wiped out many of the American brands they were competing with.

Brands from the bottom

So today, across the emerging world, a thousand entrepreneurs are asking the same question.

Rather than providing low-cost production to Western global brands, can they create their own global brands and keep more money for themselves?

The answer is yes they can.

And here's how to do it:



When Abraham Darby started the Industrial Revolution in 18th Century England, he wasn't setting out to create the Modern Age.

He was just trying to make cheaper pans.



THINK FRUGAL

The biggest innovation trend of the 2010s, and the biggest threat to conventional marketers everywhere is Frugal Innovation.

Frugal Innovation is being pioneered by Indian and Chinese companies. It involves stripping out 90% of the costs within a business, and offering the products and services that result to the consumer for one fifth to one tenth of the existing market price.

A classic example is in telecoms, where Indian companies have reduced the cost of calls and texts by 90%, putting the mobile phone in the hands of peasant farmers and fishermen across the country. And indeed now across Africa too, as Indian innovators roll services out across the continent.

Another example is the Tata Nano – the car for \$2,200.

Frugal Innovation changes the balance of consumption between developed and emerging markets, as it makes everyday consumer goods affordable to people who earn much less.

Will 80% price cuts catch on in the West too?

Since the Great Recession turned every Western consumer into a price hawk, it's very likely.

1. Get the right name

Consumers in the US and Europe may be alienated by your foreign-sounding brand name. Try something more Western-sounding, like 'Panasonic', or 'Technics'.

2. Expect fear

Expect widespread fear from Western societies as they see the brands and companies they know and love undercut by emerging market brands in coming years.

As American copywriter Jerry Della Femina wrote for a Japanese brand in the 1960s, 'From those wonderful people who brought you Pearl Harbor.'

3. Then assert leadership

Watch the 1975 James Bond film 'The Man With The Golden Gun', and check carefully the control room where the evil little French guy sits in a stack of technology. It wasn't RCA or Grundig. It was Sony, Sony, Sony, Sony and Sony. It was Sony's 'coming of age' moment as a global brand.

4. Then watch the tables turn

In the 1980s, a large British company set up a TV factory in the UK in partnership with a Japanese company. The plan was to sell half the sets produced with the British brand and the other half with the Japanese brand.

But by the end of the year, all the Japanese branded sets had been sold, and all the British branded sets were still in the warehouse.

The superiority of Japanese goods became so established in Europe that another European tech manufacturer ran radio ads in the 1980s where a



Korean brands acquired credibility and innovator status much more rapidly in the 2000s than Japanese brands did in the 1960s, 1970s and 1980s.

Could Chinese and Indian brands do so fast too?

salesman mispronounced their brand name to make it sound Japanese.

5. Exploit weaknesses

Remember, you have a better feel for price-conscious customers than Western brands do.

During the Great Recession in America, domestic and Japanese carmakers all struggled. It was left to a brand from a less affluent country, Korea, to come up with the solution.

To a Korean, a car is a big investment.

To a Korean car maker, it was obvious that the way to appeal to recession-hit Americans was to say that if you lose your job, we'll take the car back.

They hit paydirt.

Other car makers, used to dealing with an affluent consumer who doesn't worry about the cost of replacing their car, missed out.

6. Move fast

It took 20 years for made in Japan to move from cheap and nasty to cool and innovative.

In the 2000s, it took much less time for Korean brands like LG and Samsung to move from challengers to mainstream top-quality innovative brands.

The rise of Indian, Chinese and Brazilian brands could be fast.

In 2010, a survey of brand experts across the world by Hong Kong 4As through TNS found that a quarter already perceived Chinese brands to be 'innovative'.



In 2010, Western shoppers liked it cheap.

14. THINK VALUE EQUATIONS

Americans like to buy the best.

But for the global consumer, the best is nearly always too expensive.

Price consciousness is an element of every buying decision for the global consumer.

This leads everyday brands to have quite a different perception in the emerging world than they do in the West:

- In the US McDonalds is the cheapest meal you can buy. In Russia or in Indonesia, it's a mixture of a family treat, a middle class teen hangout and a date venue.
- In the West, Ikea is the cheapest way of filling a home. But to most people in the world, Ikea is a mid market, stylish option. In Istanbul, only the stylish middle class buy from Ikea. The poorer people hand the Ikea catalogue to a carpenter, and ask him to recreate the furniture they want.



The Chinese consumer is no longer willing to pay three times as much for everyday products just because there is Western writing on their package.

Western consumer goods companies need to understand this pervasive price consciousness better:

- When people in emerging markets look at a big ticket item to buy, they are never comparing the entry level product against the most expensive one. They're comparing the entry level product against either a used alternative, or not buying one at all.
- Having lots of money makes people think about things other than price. Which means that many markets in the US segment by benefit. But in the rest of the world, not having enough cash for everything is the deciding factor. And so markets segment first of all by price.
- Do people in America understand price? It depends how many generations off the boat they are. The most successful price-led brands in the US today are not created by long term Americans, but by second generation immigrants like Zappos' Tony Hsieh.
- Not being able to afford everything makes the thing at the top of a market iconic. In Europe and the US, people covet BMW, Jaguar, Lincoln and Mercury as much as they covet other cars. But in the emerging world, people dream above all of a Mercedes.

So think value equations:

- The iPhone will never become leader in phones globally because it is so expensive. Expect the big killing to be made by the company that makes the smartphone affordable by the average human being.



*'You only pay for what you say.'
Value equations have always been big in Mexico.*



Comparison shopping on the internet is growing across the emerging world.

- Get a value equation into your marketing propositions. 'Why buy a new car when you can afford a second-hand BMW?' is a compelling proposition for price-conscious Westerners. The same logic can work equally well when selling lower ticket items in the emerging world.
- Price-conscious people are looking for what they are not being asked to pay for, as much as what they are. 'It's not fancy, but it's good.' is a powerful turn-on to people with little money to spare.



Value buyers respond as much to what they **don't** get as what they do.

As Henry Ford put it, 'You can have any color you want, as long as it's black.'

15. THINK MOBILE

Technology is now ahead of big consumer goods companies.

'We serve around 4 billion customers at the moment,' boasted the world's largest consumer goods companies at the turn of the century. 'We aim to serve five billion by 2015.'

At the time, the big purveyors of shampoo, laundry detergent and soap were at the forefront of globalization.

Their products were the first elements of Western civilization people saw as they came out of remote villages.

Today

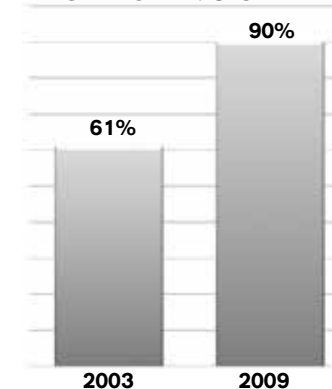
Today though, things have changed.

At the end of 2009, 90% of all humans lived in areas where they could receive a cellphone signal, and there were 5.3 billion cellular subscriptions in the world.

So many of the people trying out shampoos, laundry detergents and soaps already had a cellphone in their pocket.

Technology has spread across the planet faster than household goods.

% OF ALL HUMANS COVERED BY A CELLULAR SIGNAL



Source: ITU



These Uzbek shepherds are not admiring the sunset. They are trading sheep by mobile phone.

Soon

Over the next few years, shampoos, laundry detergents and soaps are unlikely to get much cheaper.

But mobile communications are.

The twenty dollar GSM phone is already being used for voice and text by peasant farmers worldwide.

Manufacturers are working on the ten dollar featurephone and the fifty dollar smartphone.

And airtime, sms and data prices are tumbling in India, China and Africa.

In 2020, the whole planet may well be connected.

And that means big change:

- One of the big failures in innovation terms in the West has been the financial services system. Banks today do little that they didn't do for customers in 1980. Meanwhile, banking via mobile phones has leapt ahead in emerging markets, with around fifty countries setting up mobile banking systems, and telcos like Vodafone putting money transfer and credit storage systems into countries as complex as Afghanistan. *The mobile phone is becoming the global bank.*
- Literacy projects in South Africa have often failed in the past. But encouraging people to learn to read by sending them mobile texts works fine. The phone is becoming the reading device of choice for billions.
- The information most valuable to poor, rural consumers in emerging markets will be health

'The proportion of us here in LatAm with cellphones is higher than in USA. Gringos watch out!'

**TELECOMS ANALYST,
MEXICO CITY**



You have to be pretty numerate to understand most cellphone marketing.

advice and information. Many people see the mobile phone as the future of healthcare in rural areas.

So

All of which has great implications for global marketers:

- The tendency of emerging countries to adopt the latest technology fast means that these countries are likely to leapfrog Europe and the US in the sophistication of their phone use. Western-centric marketers watch out.
- Do you run SMS-based promotions or competitions for your brand in the West? SMS is now a global response mechanism.
- SMS is also a great feedback mechanism for brands which are trying to build a sense of community into their marketing, and a rapid way of picking up problems with your brand as they arise.



Around a fifth of the Kenyan economy travelled by mobile phone in 2010.



In 1970, calculators were so expensive, only Western businesses could afford them.

By 1985, every village store in Pakistan had one.

Expect the same to happen with smartphones.

16. THINK SOCIAL

The average human being will be on social networks by 2015.

'The world's mobile telephone operators will cover the world with one megabit broadband by 2015.' said a leading telecoms head at the United Nations in 2010.

'Any that don't will go out of business.'

Will the average human being have a handset that can benefit from mobile broadband?

It's likely.

Smartphone prices are falling.

Asian manufacturers in particular are aiming to produce handsets affordable by everyone.

And indeed, The Economist reports analysts claiming that all phones sold will be smart by 2015.

Will they be social?

Social networking wasn't invented at Harvard in 2004.

It was alive and well in Korea in 2002, thanks to SK Telecom and their Cyworld network.



Social networking was invented in Korea in 2002.

As social networking spreads, it's clear that social networks have just as much relevance to people in emerging markets as they do to people in the West.

Indeed TNS's 2010 'Digital Life' study reports that people in poor countries are more engaged with digital activities than people in the West are. They are also more likely to use social networks as their main email address than Westerners are.

The only reason social networks grew first in more advanced countries is because people in poorer countries didn't have devices that could access them.

As social networking goes mobile, and phones in the emerging world go smart, the playing field will level.

So the question big global brands may be facing in 2015 is how to socialize those brands.

Not just to rich college students.

But to most of the planet.

So:

- Most big consumer goods brands are struggling with social networking because they were designed for the age of TV, where a one-way communication lasting thirty seconds was all that mattered. So design social aspects into your new global brand from launch.
- Being social means maintaining a level of buzz about your brand. If all your brand has to say about itself is that it cleans sinks without scratching, it isn't going to pick up many friends.



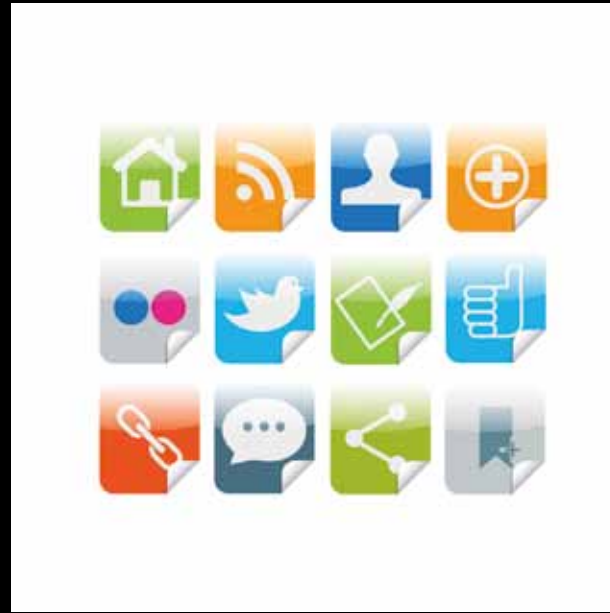
Looking forward to 4G? You can already get it in many parts of Ukraine.

'In high growth markets, social networks are a big source of information on brands.'

TNS DIGITAL LIFE 2010



Facebook in India.



Apps are the big thing in cellphones everywhere.



The world's biggest texters are in the Philippines.



Social will be global because it is part of the human condition.

- Consider how geotagging could affect your brand. Most people don't want Starbucks the global brand intruding on their social network. But their local Starbucks, where they know the baristas and like the atmosphere, fits perfectly into their social space. Geotagging can put it there.
- The brands that get the best response on Indian social networks are local Indian brands. However they do it, global brands need to work harder to connect at a local level if they are going to work on social networks.



Smartphone frenzy in Asia pushed global Android activations to nearly a million every three days in late 2010.

17. THINK B2B

Peasant business is real business.

Ten years ago, if a peasant farmer in India, China or Brazil wanted to sell an animal, he would have to march that animal many kilometers to market, and hope to get a good price from the livestock dealers in that market.

It wasn't easy.

Market power was always on the side of the livestock dealers.

If the farmer didn't like their prices, he had to sell anyway.

Otherwise, he faced a day's march back home with his animal, and a lot of wasted time.

Similarly with peasant fishermen. Ten years ago, if that fisherman caught twenty mackerel, he would then have to choose a port, spend several hours sailing to it, and then hope for a good price for his catch.

If prices were low that day, he had to sell anyway – or sail home with a boatload of rotting fish.



A bit stinky after a day or two.



Digital technology first changed stockmarkets in the 1970s. Its biggest impact in the 2010s is likely to be on businesses like these.



In many emerging countries, remittances are a large part of the economy.

Today, that farmer doesn't have the problem, because he pulls his cellphone out of his pocket, and does the deal before he drives his animal to market. And the fisherman does his deal at sea. Mobile phones have empowered peasants across the planet.

It's measurable too

Their empowerment is measurable – GDP in countries grows around 0.6% a year faster if the population of that country has mobile phones, according

to a global research study by the London School of Economics.

It's also likely to increase, as mobile phones acquire more and more capabilities. In much of the developing world, they are already being used as mobile banks – with around 20% of the Kenyan economy already moving via mobile banking.

In fmcg too

Small peasant-to-peasant transactions are an important part of the consumer goods business in rural emerging markets too.

A bar of soap in the West goes into the home direct.

In rural emerging markets, it is split into individual bars, and then sold on to middlemen.

These middlemen may then split the bar into sections, and then sell these sections on to their final consumer, so that people who only have enough money for a week's worth can afford it.

Direct mail volumes in most developing countries are way below those in the US.



Mobile phones have turned this trade into a highly efficient distribution system.

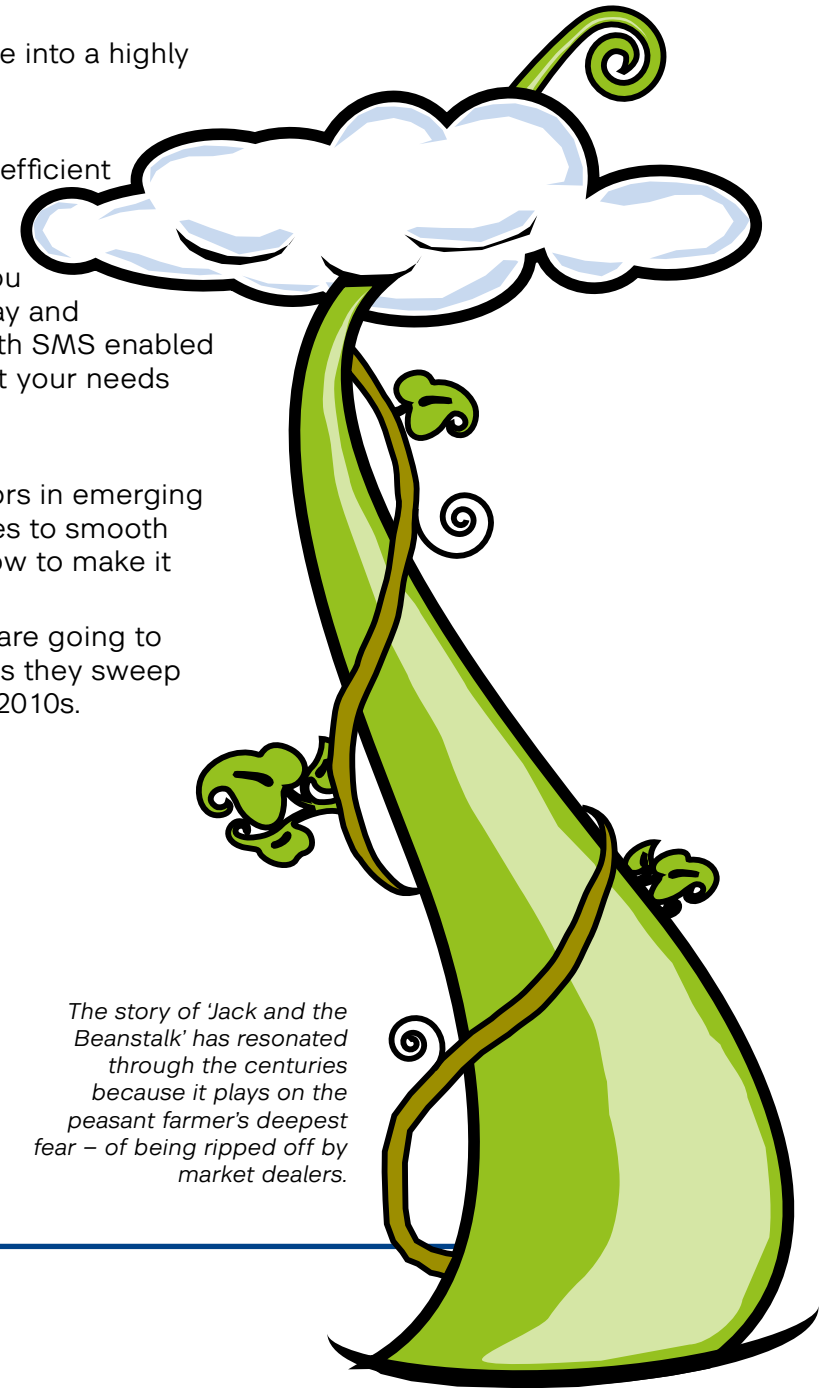
And in services

Mobile phones make services more efficient too.

If your business requires different craftsmen each day, no longer do you have to gather them at 7am every day and do deals with the ones you want. With SMS enabled mobile phones, you can just text your needs instead.

So

- Study how your existing distributors in emerging markets already use mobile phones to smooth distribution. And then work out how to make it better.
- Then work out how smartphones are going to influence your distribution chain as they sweep through emerging markets in the 2010s.



The story of 'Jack and the Beanstalk' has resonated through the centuries because it plays on the peasant farmer's deepest fear – of being ripped off by market dealers.

18. THINK INNOVATION

Back in the 1970s, massive consumer change made innovation easy for consumer goods companies in the West.

Home freezers changed food habits. Foreign travel changed people's tastes. And a shift to full time working amongst mothers brought in convenience foods and the TV dinner.

Today though, change in the West has slowed down.

Apart from the rapid spread of computers and mobile phones, the lives of young Western adults are pretty much the same as their parents' were.

So there is already a well developed ecosystem of branded solutions in place for every problem they have.

And so consumer goods companies can't find unmet needs in their lives.

Which means they struggle to innovate.

Not so in the emerging world

In the emerging world, the lives and lifestyles of young people are very different to those of their parents and unrecognizable from those of their grandparents.

A 25 year old from Nanjing may have grown up with



Frugal innovation in Tamil Nadu, India.



Individually wrapped savory snacks in Sumatra.



A burger box in Malaysia.



Biodegradable plates in India.



Food service is already smart and eco-friendly in the emerging world.

parents who were Red Guards, and a grandmother who grew up as the second concubine of a warlord. Innovation is therefore much easier in the emerging world.

So the emerging world is where global company new product development groups need to focus.

All they need to do is solve the right problems.

This isn't easy

Innovation in poor countries isn't easy for companies with a rich-world mentality.

'We're working on delicious all-in-one ready meals', crow Western food marketers, 'in completely biodegradable packaging.'

Wow.

The banana leaf plate and the eat-with-your-hands culture has been part of the emerging world for centuries.

What Western food marketers must recognize that convenience foods are alive and well in the emerging world.

It's just a different kind of convenience:

- Coq au Vin was a convenience food for 19th century French peasants. It used only ingredients the peasant already had - chicken and wine. And it was easy to make - leave to cook on the stove for several hours whilst they did a day's work and their dinner was ready.
- The flatbread and falafel was a popular eat-with-one-hand street food across the Middle East decades before American burger companies started



Nike ID, which allows you to personalize your boots' color scheme precisely via an online interface is a stunning piece of Western innovation.

But other Western companies are struggling.



For most people in emerging markets, their first bank account comes with a card and all the latest features.



In Dominica, every man and boy craves a console.



In Flores, Indonesia, they rent instead.



Every village on Earth has a distribution system.



And a LAN gaming parlor.

chopping up the lettuce and tomato to make their burgers easier to eat with one hand.

- Check out the ruins of the Roman city of Pompeii. Fast food outlets were alive and well 2000 years before Ray Krok took charge of McDonalds.
- There is a bright future for food brands aimed at consumers who earn less than \$5,000 a year. But only if food brands start innovating to fit the needs of that consumer, rather than hoping that they will develop the needs of consumers who earn \$40K.

Also:

- The poor are not completely different. They still respond to benefits. Products that make skin look thirty at forty are just as powerful in the emerging world as they are in the West.
- Don't forget nostalgia. Budapest restaurants still serve little socialist-era colored chocolate candies to their guests. The chocolate candies could have been replaced by bigger, better, capitalism M&Ms. But Hungarians prefer the old communist ones.



To many Westerners, low-cost airlines are a new and different kind of airline. To the rest of the world, they are just airlines.

19. THINK ABOUT YOUR ORIGINS

For many brands, their country of origin is their biggest asset. But national credibility is perishable.

We in the marketing profession like to think that we have the skill to create brand images.

But we are kidding ourselves.

People respect Mercedes Benz and BMW not because of any advertising they do, but because they are made in Germany.

Prada is stylish not because of the campaigns it runs in Vogue, but because it comes from Italy.

Sony is advanced because it is Japanese.

The images of nations are vital to the sales of consumer goods and services across the world.

We ignore them at our peril.

And indeed many big branders around the world rely on the image of their home country to sell their product.

Italian and French luxury goods manufacturers rely on the image of European superiority to sell their wares.

But how stable is this image of European superiority?



A distinctively Turkish cola.

We have spent time looking at the image of country brands on our global BrandAsset Valuator tool.

BrandAsset Valuator shows the massive differences between the way Westerners look at their countries, and the way those countries are perceived in the emerging world.

And the differences are worrying for Western global brands:

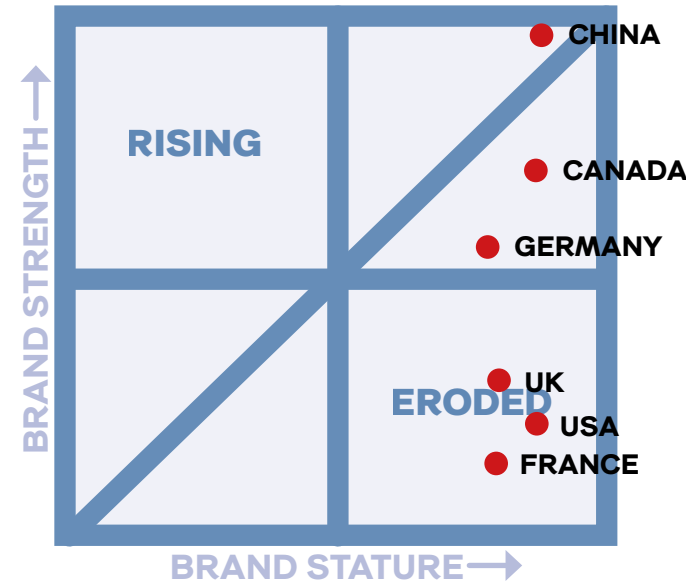
- Consumers in Western countries have a very strong, positive image of their own country, and also of other Western countries. They tend to look down on emerging markets.
- But consumers in emerging markets have very different perceptions of Western countries, regarding European countries in particular as being 'tired' and 'past it.'

This leads to some difficult questions for Western companies:

- How long can the image of European sophistication continue to sell luxury goods in the emerging world?
- How long will Western technology brands manage to retain a premium when people know that the hardware comes from Guangzhou, and the software comes from Bangalore?

German and Japanese engineering remains well respected throughout the world. But the image of many other countries and their wares may be living on borrowed time.

HOW CHINESE SEE OTHER COUNTRIES



Westerners see their own countries as vibrant and powerful, but Chinese see them as past it.

SOURCE: BRANDASSET VALUATOR

20. BUILD YOUR GLOBAL BRAND AROUND A BIG IDEA

Marketing theory says that the strongest brands are built around clear, simple, single-minded benefits.

And indeed many brands that have swept the world have been built this way.

But that is scant comfort to many of the large companies in emerging markets.

They have been built as conglomerates, around the interests of an entrepreneur or of a family.

A car division here is added to a bottled water division there.

The result is a set of businesses which can individually be very successful.

But which have little relation to each other.

Tricky

These companies often struggle when they seek to expand abroad.

In their home country, they have a famous name, strong connections and trade relationships.

Abroad, they have none of these – and a name which stands for nothing.



If your idea isn't arresting, it may not be an idea at all.

The neon logo

In these cases, many conglomerates resort to simply seeking name awareness, placing their logo in neon on the top of tall buildings in the cities of the world.

They hope that name awareness will be enough.

But there are thousands of brands around the world which everyone has heard of.

But which have no reputation, and which no new customer therefore ever tries.

The brand idea

They would be better building a brand idea around their company.

An idea that makes the company mean something.

Companies with a brand idea stand out.

So they generate name awareness faster than names which stand for nothing.

Ideas stick in the mind.

So that name awareness is more likely to be permanent than just a temporary blip.

But it's more than that

They also acquire reputation and imagery in the minds of their prospects.

And that builds sales.

Building a big brand idea around their company should be the goal of every emerging markets conglomerate as they set out around the world.



When developing brand ideas, rule number one is to resist the usual.

CONCLUSION: GLOBAL MASS MARKETING

Mass marketing first happened in America in the 1920s.

Before then, marketers worked 'trickle down' strategies.

They targeted the rich, and hoped that the poor would copy.

After the change, they regarded their target market as simply 'America'.

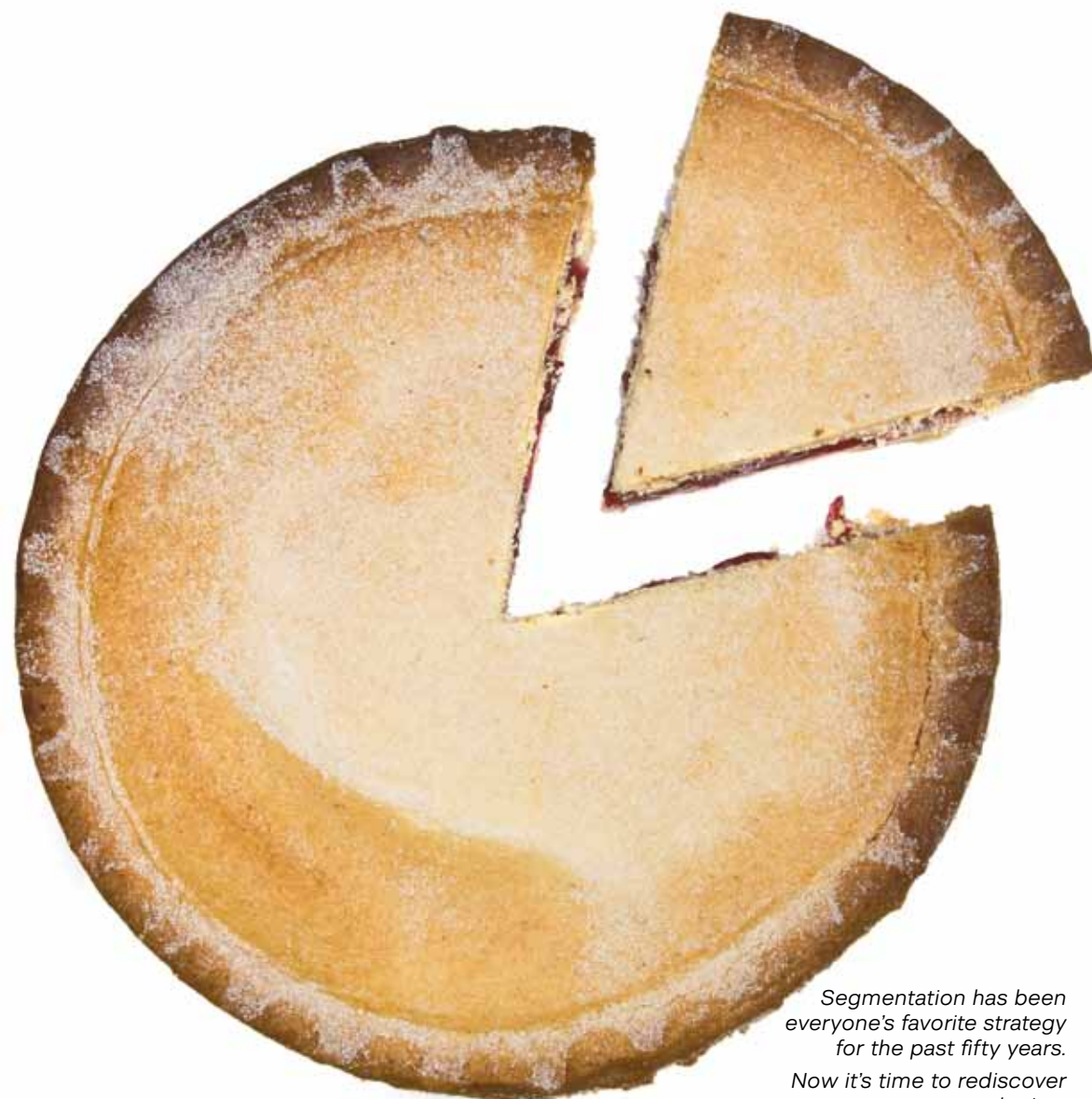
Sure, there were some people who could not afford to buy.

And sure, they could have satisfied richer consumer groups better.

But the economies of scale and effort won out.

Coca-Cola didn't launch premium variants of its brand to appeal to rich New Yorkers – even though they had many times more money in their pocket to spend.

Nor did Pepsodent.



Segmentation has been everyone's favorite strategy for the past fifty years. Now it's time to rediscover mass marketing.

Or Kellogg.
They just talked to everyone.
It was a huge change of mindset.
Today the time is ripe for a similar mass marketing.
Which talks to the average human being.

The central principle

Consumer goods companies have been big on emerging markets for two decades now. But they have always regarded emerging markets as an exciting new addition to their consumer base.

For global mass marketing to work, they need to redefine emerging markets as the core of their customer base.

This switch won't be easy.

As Mao put it, 'Revolution is not a dinner party, or writing an essay, or painting a picture.'

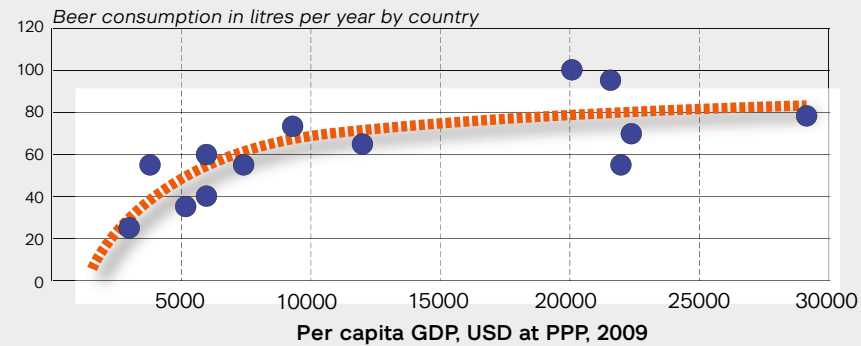
But the time is ripe:

- Thanks to the Great Recession, most economists see little growth in consumer incomes for Europe in the next five years. Japanese incomes haven't grown much since 1990. Meanwhile, Chinese incomes double every six years.
- Many Western markets have saturated. Back in 1980, large groups of American and European men still needed to be persuaded to use toiletries every day. Today, there is no one left in the West to persuade. Meanwhile in Asia, toiletries markets, already large,



The average human knows what you know – put your head into any village home in China today, and there will be a TV, and possibly a DVD in there too.

RICH PEOPLE CAN BE NO BETTER PROSPECTS THAN MIDDLE-INCOME PEOPLE



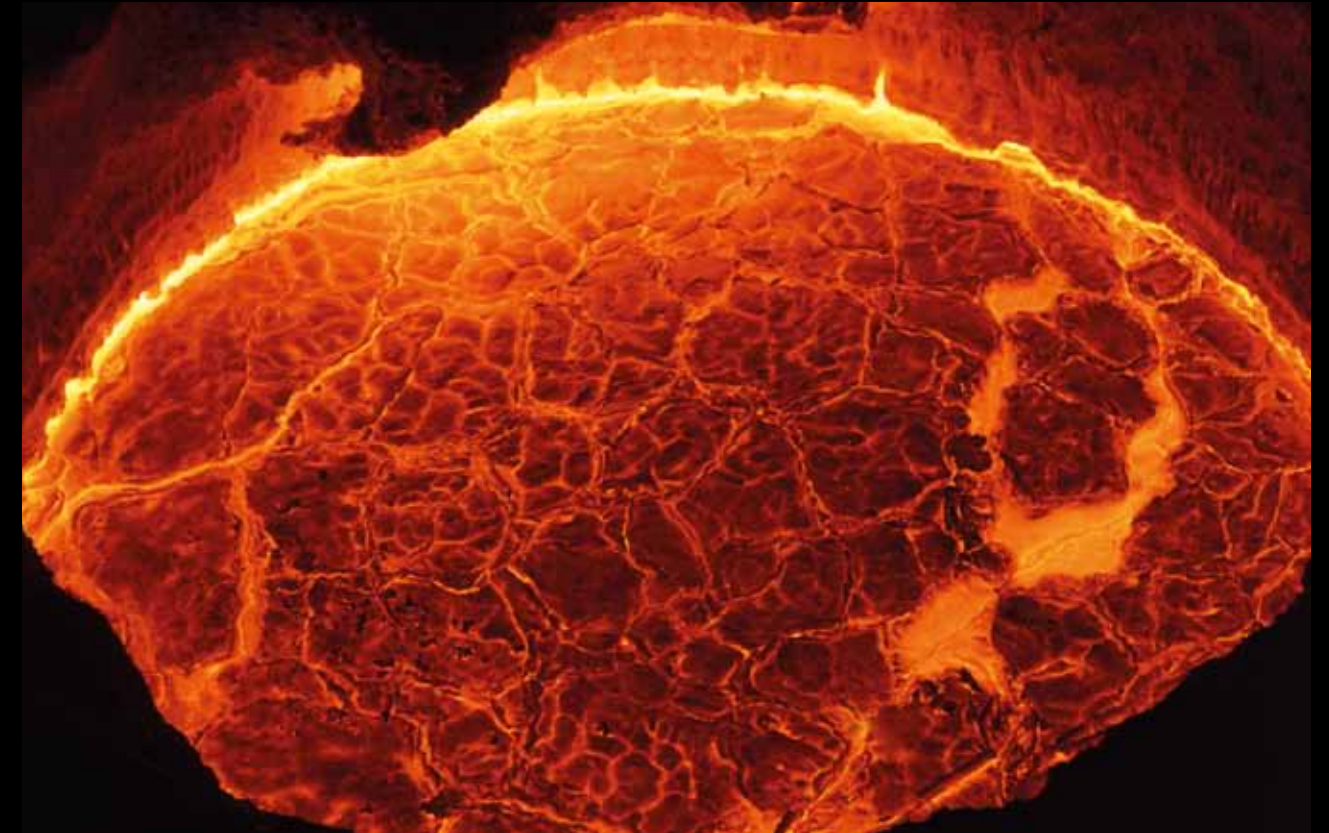
Earning American or Japanese level incomes doesn't make consumers consume any more beer than lower income people.

still have twenty to thirty times to grow before they saturate. Again, if you want your brand to grow, you need to refocus on emerging markets.

- People in the West have more money. But a rich baby doesn't poop their diaper any more often than a poorer baby. Rich women don't wash their hair any more often. Or eat any more snacks. In the 2010s, rich people's additional money is going on taxes, financial services and bailing out their governments, not on everyday consumer goods.
- In the West, your marketing dollar is competing for consumers' attention against financial services, airlines, IT, corporate and other advertisers rather than just other foods and everyday goods.

In the 90s, many big consumer goods brands stopped advertising to people in rich metropolises like the New York Tri-State area and London because the cost was so high.

Today, many Western food marketers need to admit



THE 200 YEAR ANOMALY

In 1709, a maker of brass cooking utensils called Abraham Darby bought a shed in Coalbrookdale, England, and began experimenting with iron.

Darby, his coworkers and descendants developed techniques for ironworking that allowed cheap mass production.

And those mass production techniques caused economic activity in Britain to rocket to almost 40% of world output.

Why the modern world came into existence in the village of Coalbrookdale rather than in Hangzhou or Tientsin or Guangzhou is a bit of a mystery to economic historians.

But one thing is certain.

For the previous twenty centuries, China was the world's largest economy.

And today it's coming back.



The average human being now has a cellphone, a TV, and double the income they had in 2004.

So why not target the average human being?

to themselves that they are running only token campaigns in the West, just to keep supermarket buyers stocking their brand.

But isn't it too late for global mass marketing?

It's almost twenty years since globalization became everyone's favorite marketing strategy.

This may lead some people to think that the big growth in consumer goods in emerging markets has already happened.

So isn't it too late for mass marketing?

Not at all.

As the average income levels in a country rises, the proportion of people able to afford a product can rise much more rapidly.

For example when people's income level hits \$10K a year, most of them want a car.



Poorer people don't even have the same tastes in soft drinks.

Westerners like orange and lemon Fanta. In Indonesia and the Middle East, the cult flavor is strawberry.

Incomes follow bell curves.

When the front of the bell curve hits \$10K, the car market in that country experiences a 'big bang'.

This is why the Brazilian car market has just become bigger than Germany's.

As the 2010s proceed, we should see big bangs in usage of products in emerging countries as these threshold income levels are reached.

Brands need to be ready for these big bangs.

Has the one in your category passed?

It's not likely. There are still billions of people who



WHAT'S THE POINT OF A GLOBAL BRAND ANYWAY?

Speed to market is no longer about maximizing opportunities. It is about survival.

Why do companies bother with global brands?

Consumers don't travel abroad that often.

Why should someone in China care that they are using the same laundry detergent as someone in Brazil?

The key issue is not a marketing one.

It is internal.

Consumer goods companies know they must innovate to survive.

But in the twenty first century, market information travels instantly from Blackberry to Blackberry.

So a company which innovates in just one country can see its innovation copied by competitors faster than it can roll it out around the world itself.

To innovate successfully, companies need to roll their innovations out faster than they can be copied.

And the only way to do that is to have one brand, one promise and one system everywhere.

On top of that:

- Global brands are up against local entrepreneurs in emerging markets, some of whose factories don't even use electricity. If you can't be the lowest cost producer, you had better have economies of scale.
- The big ideas that drive global brands are precious. If you have two brands, you'll need to wait for two big ideas rather than just one.
- If you don't have a global brand, your local management will generate lots of research to show that your brand will not work in their country. A brand is either global, or it was Not Invented Here.
- The number of poor people is growing in rich countries, and the number of rich people is growing in poor countries. So separate brands for rich and poor no longer work.
- Ideas move like wildfire through socially connected consumers who speak the same language. Launch a good idea in Argentina in the 2010s, and people in Spain and Spanish-speaking Americans will know about it within hours.

can't afford to be regular users of most products and services.

Expect disagreement

Many people will disagree with the global mass marketing proposition.

But it was the same in early twentieth-century America.

In 1908, Henry Ford set out to mass market the automobile there.

The rest of the industry laughed at him.

They had good margins, growing sales of their \$2,000 cars and strong brand images.

But Ford knew better.

He set out to produce an automobile for \$1,000, to fit, he said, 'the pocket of the ordinary American.'

Four years later, his market share was over 50%.



Labor unrest in the emerging world says one thing: the ordinary human wants more.

By: simon.silvester@yr.com

Director of Business Development: zoe.church@yr.com
Tel: +44 20 7611 6927

Thanks to: Simon Atterbury, Zoe Church, Alessandra Cotugno, Michael Donegan, Paula Freeman-Bown, John Keaveney

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Published by Young & Rubicam EMEA, Greater London House, Hampstead Road, London NW1 7QP

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**The world is full of global
brands.
Which were never designed to
be global brands.
Here's how to beat them.**

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PHOENIX PODGORICA PRAGUE PRISTINA QUITO RIGA RIO DE JANEIRO RIVADH ROME SAINT-DENIS SALT LAKE CITY SAN DIEGO SAN FRANCISCO SAN JOSE SAN JUAN
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