

gems

INSIGHTS FROM EMERGING MARKETS
MARCH 2011

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Dear Readers,

While we bring out the first issue of GEMS for 2011, the Journal of Rapidly Growing and Emerging Markets, our heart goes out to the stoic citizens of Japan, who have borne indescribable misfortune with such fortitude and dignity.

Apart from the human toll and suffering, the economic blow is also staggering and recovery will be a long uphill battle. However, the economic recovery of Japan will not only be fuelled by the reconstruction efforts in the country; the emerging markets with their growing demand for Japanese cars, electronics, and other products will also come to Japan's aid. Japanese goods enjoy significant levels of success in emerging markets – their relatively modest success in China has historical origins. But even in China Japanese products are highly respected and desired. According to our research among Chinese consumers, Japanese goods are valued as the third best in the world after German and American products. Particularly appreciated are Japanese consumer electronics, cars and computers. Japanese products are considered the most good-looking in the world, and also believed to embody great craftsmanship and attention to detail (second only to Germany on these aspects). Japanese industry needs to build on this goodwill towards their expertise, and attract the growing spending of emerging market consumers to help it stand back on its feet.

Elsewhere in a part of the emerging world, the last few months have seen some remarkable events, which we all hope will end in more freedom and a better life for its citizens. Thanks to the film “The Social Network” we are all familiar with the rather practical and even dubious need which prompted Mark Zuckerberg to start writing the code for Facebook. One cannot help wondering what must be going on in his mind when he sees his creation being used as an instrument of protest and freedom. Nevertheless it is clear that the Internet in emerging

markets is bringing people together in ways that one would never have imagined, including sending them to Tahrir Square to demand freedom. A few months earlier, TNS had conducted the Digital Life study in 46 countries around the world, to try to understand how consumers use the Internet and what factors – both rational and emotional – drive their usage. It does seem a bit eerie when we see that the study had shown that the Egyptians are the most engaged Internet users in the world. Unlike their counterparts in the developed world, who tend to look at the Net more as a functional tool, which brings simplicity and efficiency to their lives, the emerging market consumers view the Internet in many more and deeper layers – including as an important tool for self-expression.

We have a number of interesting articles in this issue of GEMS – some of them touch upon the unique influence that the Internet is having on our lives. Others reflect on the complex nature of the emerging markets and share some insights that we have garnered during our many years of researching them.

We hope you enjoy these gems from emerging markets.



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Reaching Africa's Consumers

Marketers must embrace Africa's similarities and diversities in order to capitalise on the continent's rapid evolution

Africa can present a daunting prospect for marketers and market researchers. After all, the continent boasts over 50 countries, more than 2,000 languages, and countless regional and local nuances. But understanding and communicating with the continent's one billion people does not have to be as intimidating as these numbers suggest.

While there's undoubted diversity, there are enormous similarities too. Similarities which, if properly understood and exploited, make the marketing challenge far easier and the marketing process more efficient. Equally, the accelerating pace of economic integration and infrastructure development across the continent is lowering barriers which, a decade ago, would have seemed insurmountable.

Similarity and diversity

In looking at the African consumer landscape, marketers frequently ask whether there is anything to suggest that customers in a new market will be receptive to brands that have already been accepted by their African peers. The answer is a qualified 'yes', because similarity frequently co-exists with diversity.

"Similarities and differences define each other" says Leonie Vorster, the European Society for Opinion and Marketing Research (ESOMAR) representative in South Africa. "When developing a strategy for a particular market, it is important to investigate how differences and similarities combine and to investigate the resulting 'picture' (of those two factors)," she explains.

While there are a multitude of small, localised, languages, marketers can take heart from the fact that there are also very widely-spoken languages that can be used to reach massive numbers of consumers. For example, there are an estimated 115 million French-speaking people in Africa, more than on any other continent. Around 120 million people in East Africa speak Swahili. In Zambia, people who speak the local Nyanja language can communicate easily with Malawians who speak Chichewa. But simply communicating in one particular language doesn't

guarantee that you can expect to reach an entire region. David Somers, former CEO of TNS Research International East Africa, points out that in East Africa a Swahili-themed advertisement could find acceptance in Kenya, Uganda and Tanzania, where Swahili is widespread, but not in neighbouring Rwanda, where Swahili is not a major language.

That said, there is still much regional cohesiveness; many instances exist where not just the languages, but also cultures and traditions transcend national boundaries. When you think about it, the reason for this is obvious. In contrast to a country like France that has been in existence (albeit with shifting borders) for almost 1,500 years, most territorial demarcation in Africa has occurred over the last century.

Modern African countries are recent developments, a legacy of the colonial past. Modern borders created physical divisions between peoples, but cultural similarity and a common outlook on life endures across these frontiers. The Maasai, for example, perhaps the most well known of East Africa's people, are spread across the Kenyan and Tanzanian borders.

Cultural similarities are reflected in a myriad of ways, including common tastes in music – on a recent trip to Nairobi, Kenya, I was amazed at how popular 'Bongo flava' (a unique style of hip-hop music born and popularised in neighbouring Tanzania) is among Nairobi's young people. The cultural similarity is not just found in contiguous regions – across the continent, it's also possible to find far-flung regions that share traditions. Paying mahari (bride price) is an important part of many cultures in Tanzania. Called mahadi by the Sesotho people of Southern Africa, the custom differs only slightly. But does it make sense for a marketer to factor in far-reaching commonalities? Only sometimes. For obvious practical reasons, similarities between neighbouring countries offer a much greater likelihood of impacting on brand or research agendas. It is not surprising that based on the similarity of culture and habits, ideas and brand messages are perceived in a similar fashion across borders.



NIGERIA BY JAMES FERGUSSON, TNS GLOBAL TECHNOLOGY SECTOR

Reaching Africa's Consumers

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Regional integration

While language and cultural similarity can provide a basis for similar branding, the business environment is arguably the most critical factor to a brand's success. Regional trade areas that result from economic integration offer numerous logistical benefits when operating in Africa.

Certainly, integration is happening at a rapid pace in parts of the continent. In a 2009 address, Tim Clarke, the European Commission (EC) ambassador to the East African Community (EAC), pointed out that it took 37 years for the European Union to attain 'single market' status in 1993. It's taken the EAC only 10 years. Obstacles remain, such as the lack of enforcement capacity for the EAC. But the potential for growth and further integration is undeniable.

What does integration mean for companies and brands? As the world's largest economic organisation, there are lessons to be gleaned from the European Union (EU). In a 2007 editorial for the European Journal of Marketing, Stan Paliwoda and Svetla Marinova pointed out that: "Convergence [in the EU] has given rise not only to common consumer behaviour traits, but has also created favourable conditions for leveraging marketing expertise across national borders. Thus, EU companies have been able to benefit from increased savings in manufacturing, employment-related and distribution costs, as well as from standardising product features and offers, using market penetration strategies for existing European brands and from applying some standardisation to the core advertising message for global, pan-European and regional products".

Companies are already utilising the advantages of economic integration in Africa. South African-based researchers, Emongor & Kirsten, observed in a 2009 paper that SA supermarket chains have experienced rapid growth and expansion in the Southern African Development Community (SADC) member countries since 1991, facilitated by factors like trade liberalisation and regional integration agreements. Shoprite, one of this country's best known brands and Africa's leading grocery retailer, has taken its promise of lower prices to 16 other countries, 11 of which are in the SADC region.



NIGERIA BY JAMES FERGUSSON, TNS GLOBAL TECHNOLOGY SECTOR

A major benefit of integration in Africa is the development of an improved infrastructure network, which translates into enhanced distribution efficiencies. East Africa is one of the regions undertaking an overhaul of transport infrastructure at present. Major road and rail systems are being revamped under the umbrella of the East African Community (EAC) and there are ambitious plans to establish broadband connections between East Africa's capital cities, enhancing regional connectivity. This also means that more and more people will soon have Internet access.

The bottom line

Individual country nuances will continue to exist, and should not be ignored. In fact, diversity is a fact of life in Africa. But entangled in their differences, African people share certain indelible common characteristics which marketers can benefit from.

Both aspects should factor into the overall market research and marketing picture. As ESOMAR's Leonie Vorster puts it: "Instead of being in the 'differences' or 'similarity' moment alone, marketers and researchers should take cognisance of the fact that the people we are marketing to are both these things at the same time".

"MTN's clap clap advert was aired in South Africa in 2007 and found immediate recognition among local audiences. Children playing "singing games" are a common sight throughout Africa and the advert also resonated with audiences in other MTN markets like Uganda. It tapped into aspects of life on the continent that many could readily identify with. The advert was special in that it was shot in a rough area of downtown Johannesburg (Hillbrow) and involved the local community in its making. It showed people coming together in celebration and communicated MTN's mores of empowering individuals. The advert won a bronze award at the Cannes Lions advertising awards in 2008."

<http://www.youtube.com/watch?v=0XCrVW6vZA4>

"The key idea behind **Coca Cola's Brrr** campaign was to give consumers memorable characters who embody African optimism and attitude, and thereby demonstrate how Coca Cola uplifts both body and spirit. By design, the advert found audience appeal in many sub-Saharan African markets. Ogilvy Johannesburg worked closely with counterparts at Ogilvy agencies in Kenya and Cote d'Ivoire to identify fundamental consumer insights common across key markets in the region. The advert went on to win Coca Cola's Global Marketing Excellence award and is now being rolled out in places as far afield as India."

<http://www.youtube.com/watch?v=RJb1o8SjQnc>



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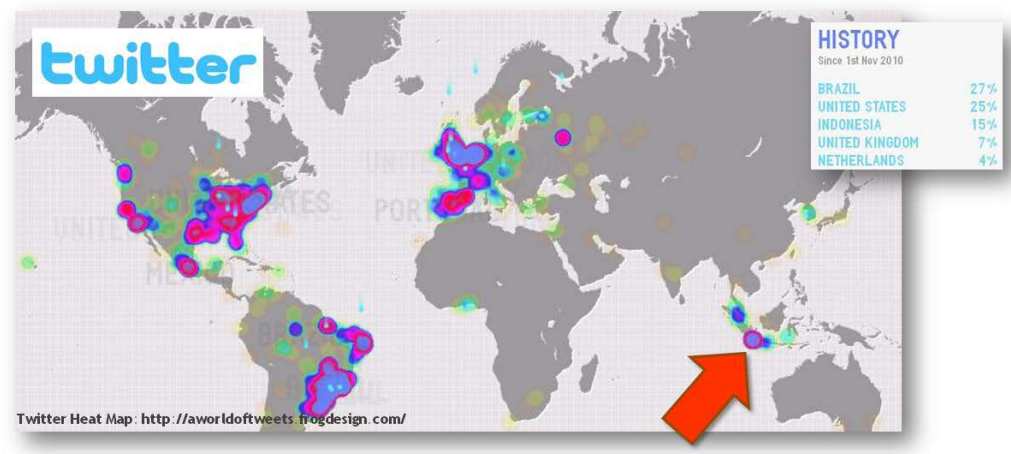
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talking

Indonesia: Talking with their Thumbs

“Follow us on Twitter”. If you get a chance to stroll around the streets of Jakarta, this is what you are increasingly likely to read on the facade of even the tiniest stalls. For most people, Indonesia will probably remind them of terrifying earthquakes, beautiful beaches and the amazingly warm people. But WHAT does the most populous Muslim nation do in its spare time? Increasingly, it swaps information, gossip and opinions online.

The silent majority of middle class Indonesians who are absorbed in their daily toil and advancement of their careers, or looking after their families have now found the place where they can just say what they like, what they think and what they feel. They can even dare to make political statements and criticize the authorities – and they have been doing this well before anyone noticed the Internet-fuelled protests in the Middle-East.



It is now claimed that Indonesia is the world's second-largest market for Facebook and the third-largest for Twitter – with over 30 million Facebook users and 4 million plus Twitter accounts. 20 million tweets emanate every month from the Indonesians – a large majority of them in the national language, Bahasa Indonesia.

For marketers, however, the most exciting statistic is not how many Indonesians use social media, but how many still don't. Of the 240 million or so Indonesians, fewer than 20% are connected to the Internet. Though this figure has been growing at a very fast pace, because of increased mobile penetration, Internet usage is still largely an urban phenomenon.

Mobile Me

Indonesians typically connect to the Internet via mobile devices, not personal computers. Mobile phones are cheap, as the country is flooded with Chinese handsets costing only \$30-40 each. Companies like Nexian and ZTE are driving the market with innovations like dual SIMs or even triple SIMs in the same phone. Coupled with this, thanks to years of price wars between Indonesia's major telecommunications companies, mobile contracts in the country are dirt-cheap, making mobile Internet more affordable and more popular than fixed line Internet. Interestingly, it is not all about just affordability – Indonesia is also one of the largest markets for Research In Motion (RIM), the maker of the up-market Blackberry – partly attributable to the country's love for the Blackberry messenger.



Indonesia: Talking with their Thumbs

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The gregarious Indonesians

"Have you ever seen an Indonesian alone in a mall or a café? Indonesians like to be with others, and above all, they like trends. If someone says this is the next cool thing to do, then everybody is going to follow," actor Arifin Putra, one of the most active Indonesian celebrities on Twitter was quoted in a newspaper.

Indonesian culture seems particularly receptive to online socializing. People love publicity, don't fret much about privacy and gleefully follow trends.

But it's not all about gossip, fun and games – the neighbouring rival state of Malaysia, pornography, and corruption were some of the hottest topics on Twitter in the past year. Twitter seems to have become a gauge and reflector of the mood of people, giving a clear picture of what holds the nation's mind at any moment in time.

The drivers

So all said and done, what is it that drives this unique social networking addiction? The reasons seem to be manifold – some of them historical and some stemming from the socio-political-cultural axis of the country. The key drivers seem to derive from the following aspects:



one

The traditional information media and the news coming from them have historically been fairly tightly controlled and censored. This has led to low newspaper readership and has reduced the traditional mass media to a source of entertainment, rather than a medium of Information or Influence. The most credible and powerful sources of information now are other people or "word of mouth". The Internet & social networks have magnified this by increasing the access to people and made them a big draw for anyone looking for information and advice they can trust.

two

Indonesia is a relatively youthful country but still has strong traditional roots with the juxtaposition of Islam. The youth by nature want to express themselves but there is always a fear of standing out too much and collectivism/harmony is the easy way to go. The anonymity of the Internet has led to social networking media being used extensively as a platform for both 'Identity Building' & 'Emotive Expression' – there is no need to 'Put on a Mask' in the Virtual World. This is particularly true for interaction between people of different genders and romance often blossoms on the Internet.

three

Indonesians at core are gregarious and affiliative. The Average Number of Friends on the Internet is very high, it's seen as not only a platform for connecting with friends but also as a way to make new friends. Keeping in touch, sharing thoughts and feelings makes them feel safer as well as providing them with a sense of being in touch with the world at large.

What the future holds – marketing opportunity

Indonesians have also begun to appreciate the potential of social networking for marketing. Many famous restaurants, bars, clubs, and brands have Twitter accounts they use as an effective marketing platform. While Twitter is often used as a way to promote oneself in Indonesia, it is also used as a way to promote ideas, enhancing movements and shifts. Social networking media are also emerging as a platform for P2P Commerce with many people sourcing and selling things through Facebook.

Indonesia's potential cannot be captured by merely referring to it as an N11 market – it will be the most important market after China & India in the near future. It will also be a large digital market, enabled by mobile telephony & mobile Internet, powered by social networking but driven by intrinsic socio-cultural values & market factors. If used well the medium presents large 'business' opportunities and a faster, more economical and effective way to reach the right audiences.

Media like Facebook & Twitter may also turn out to be a real counter-power in a country like Indonesia. On Twitter, Indonesians can express themselves freely not only about what's going on in their lives, but also in relation to the whole country. They can choose to follow NGOs or political parties which have an alternate point of view. In a young democracy like Indonesia, social networking can be a real tool to strengthen the ideas of both individuality and sharing.



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internet

Emerging LatAm Consumers on the Internet

Internet access is rapidly expanding its reach in Latin America, providing more opportunities and a better economic future for many.

Latin America now has more than 200 million Internet users – just over 10% of the world's total (while it has 5% of the population). This translates into an overall penetration of 38%, with Chile as the highest penetration country at 50%. Like elsewhere in Emerging Markets, Internet access is growing rapidly; in 2010 the growth of Internet usage was 37% in Colombia, 25% in Venezuela, 22% in Argentina, 20% in Mexico, 19% in Brazil and 16% in Chile. Securing Internet access is high on the priority list of the LatAm consumers – in fact the escape of the poor into the lower middle economic classes enables them to use the Internet, which in turn acts as a trigger for further economic improvement through easier access to information, education and business opportunities. Getting connected, therefore, serves as a tipping point for movement into a better quality of life.

Mobile-centricity

In Emerging Markets, we see a very mobile-centric view with many consumers leapfrogging the fixed line, and going straight to mobile access to the Internet (as we also see in another article in this issue on Indonesia). In developed markets, average users spend 6 hours a week using mobile Internet; the figure is nearly twice as much at more than 11 hours in Emerging Markets.

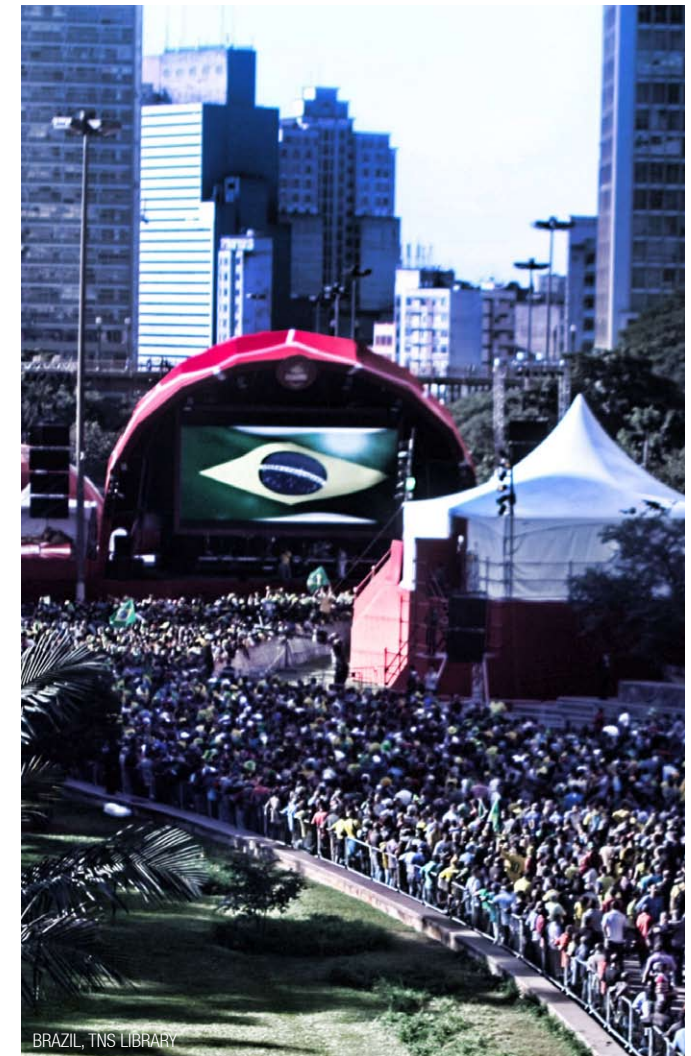
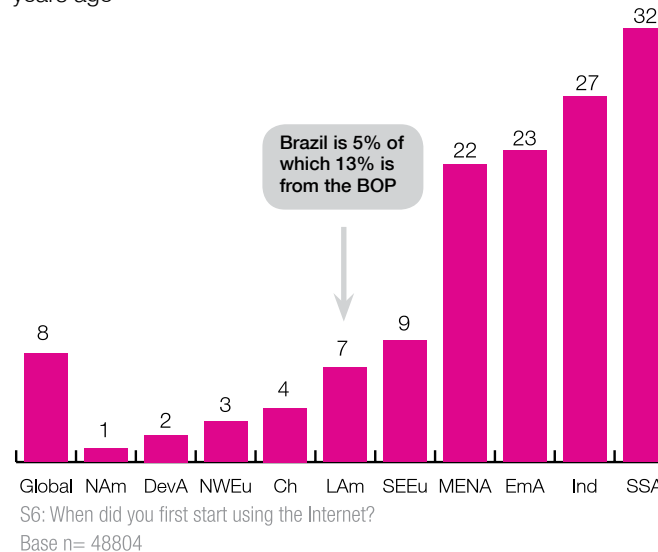
Additionally, often the Internet quickly overtakes television in terms of consumer preference. Young people spend more of their time on the Internet than any other medium and emerging markets often lead the way.

While digital access in Emerging Markets is new, the usage is more impactful – almost transformational in nature. The proportion of Internet users who agree with the statement: “I can better

express my feelings in the online world” is highest in countries where most people have just started accessing the Internet: 81% in Africa, 65% in India and just 19% in developed Asian countries. Like the overall economic picture, Latin America features in the middle between the least and most economically developed countries: 34% agree with this statement. In Brazil the overall percentage is 35%, whereas among the BOP (Base of the Pyramid) class it increases to 53%. Once the BOP has the opportunity to access the Internet, their level of engagement with the medium is particularly high as they rely on it for a much wider range and criticality of applications than the upper income consumers.

For the emerging world, digital access is new ...

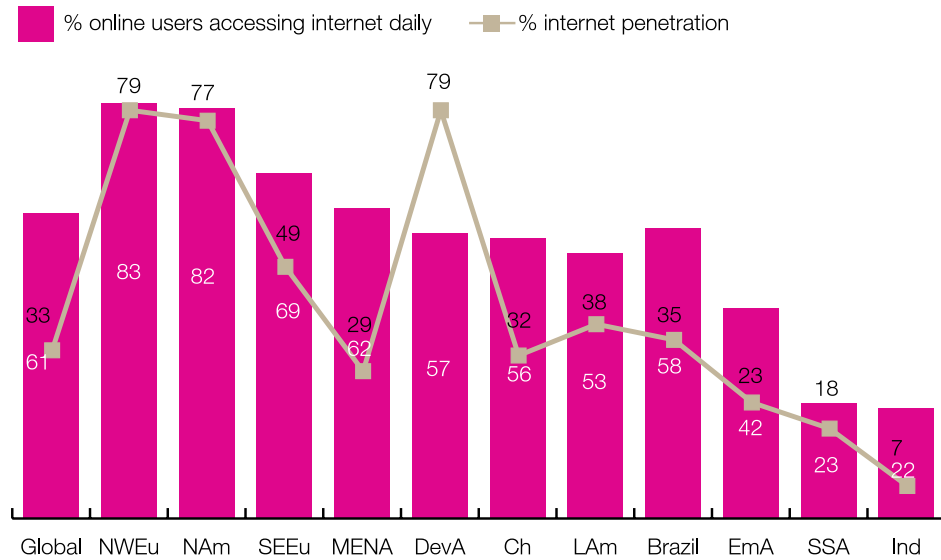
% online users who started using the Internet less than two years ago



Emerging LatAm Consumers on the Internet

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...And Brazil is in this leapfrog trend



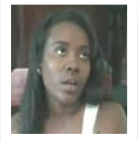
Internet World Stats/ S5: How often access
Base n= 48804
Source: TNS GTI 2010 and TNS Digital Life 2010

A snapshot from Salvador (Brazil)

Salvador da Bahia was the first colonial capital of Brazil and also one of the oldest in the New World. For many years, it was known as the capital of happiness, owing to the easygoing nature of its population and countless outdoor parties. Nowadays it is also the Brazilian capital of the emerging middle class, people who have been able to leave the **favelas** (shanty towns) and now live in government-subsidized social housing. Salvador has the feeling of a boom town, with building cranes providing a jarring contrast to the old historical city. We spoke to some emerging consumers in their twenties and early thirties.

It is striking that they all have great expectations of the future, a future which is very concrete and short-term (i.e. their focus is on the next 3 years). When asked what are their hopes and dreams, they usually refer to a better house, a car and especially a better job. For all of them, digital is at the centre of their lives: it is giving them more contacts, opportunities, and a sense of inclusion that they could only have dreamt of just a few years ago. Broadband access is expensive in Latin America, and many people can only access the Internet via cyber cafés or LAN houses. Alternatively, the emerging lower middle class share a router between 4 or 5 families. The use of LAN houses, or public Internet cafés, continues to be huge in Brazil; there are more than 90,000 LAN houses.

Grazielle (25) is a saleswoman in an electronic store, who lives with her extended family in a modest, but well-kept house, which is full of the latest electronic equipment. She spends most of her time on her Netbook, which she bought for US\$ 800, and she uses it for music, movies (she watches very little TV), Orkut*, Google, YouTube and especially to learn English, as she hopes to become a nurse.



Using the Net to learn English and achieve her career ambition

Lucas (26) is a would-be fashion designer. He lives in a social housing project (pictured right). He is very digitally involved and always on the Internet: at college, work, home. His face lights up enthusiastically when he talks about his laptop and 300 friends on Facebook. Lucas makes websites for events, something he learned on an IT training course, and all his work is generated through word of mouth.



Eking a living out of the Net.

Luciana (31) is a policewoman, with four 12 hour shifts per week, a dangerous job because of the drugs trade and crack addicts in the city. She wants to move out and become more socially mobile so she studies Spanish and English online through a distance learning programme offered by the government. She has 3 email addresses (@yahoo, @hotmail and @bol), and is often online through her mobile. She tweets and uses Google frequently.



Connected in a life-threatening job

Emerging LatAm Consumers on the Internet

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For all of them, digital is at the centre of their lives: it is giving them more opportunities, and a sense of inclusion that they could only have dreamt of just a few years ago.

And use Social Media as much or more than higher classes

It is not just all work for the Latin Americans on the Net – they are well-known for their sociable nature and it is not a surprise that they have embraced social media like no one else. For social networks, Brazil continues to be the leader in the use of almost all forms of social media, not just in Latin America, but the world. Orkut*, the most popular social network in Brazil, reaches 72% of all Brazilian Internet users, and 70% are younger than 34 years old.

Brazilians have more friends on social networks than anyone else in the world: an average of 231 (and for those accessing the Internet via their mobiles this number increases to an incredible 357) vs. an average of 176 in Latin America and 120 globally. Brazilians also use social media heavily to make purchase decisions.

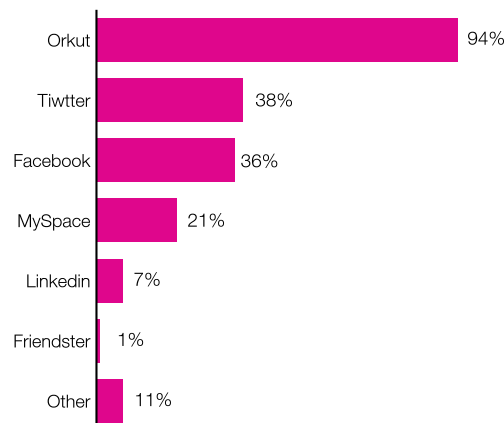
Overall we see in Emerging Markets that social networks are a key source of information for brands, as much as the Internet has become a key element in the lives of Emerging Consumers.

* Orkut is Brazil's dominant social networking and discussion site, operated by Google.

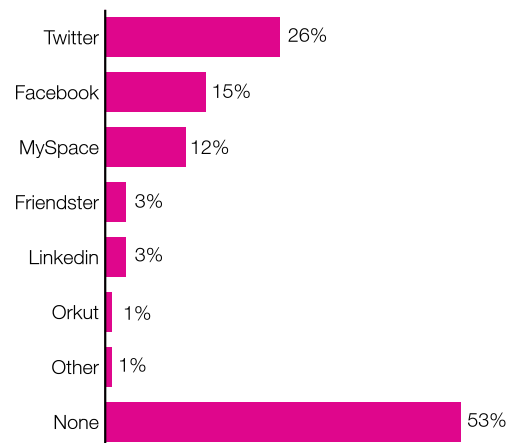


MEXICO BY FABIOLA JUAREZ, TNS MEXICO

Which social networks do you belong to?



Which social network do you intend to join in the future?



	% Favourite Social Network	No. of friends/followers (mean)
Orkut	80%	293
Facebook	7%	201
Twitter	7%	296
MySpace	2%	235
LinkedIn	1%	73

Source: TNS Decoding Digital Needs Study, Brazil



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drive

Issues Driving Consumer Behaviour in Rapid Growth Emerging Markets

Rapid Growth Emerging Markets* together represent around 60% of the world's population and their economic strength is growing. China is already the world's 2nd largest economy and the IMF (International Monetary Fund) has predicted that the total GDP of emerging and developing economies will equal that of advanced economies by 2013/14.

As a result, Rapid Growth Emerging Markets represent the key growth opportunity for many organizations across the globe and one that is top of the business agenda for a broad range of sectors, including FMCG, Technology, Finance, Automotive and Healthcare.

But Rapid Growth Emerging Markets are not simply a replica of the world's developed markets. Penetrating and succeeding in the world's fastest-growing markets represents a unique challenge and one that often requires significant changes to traditional business models and thinking. TNS, through a combination of consumer research, practical experience and a global network of Emerging Market experts, has identified several issues that impact consumer spending habits and purchasing behaviour in the world's fastest-growing markets.

Insight #1: Diversity Rules

Rapid growth and emerging countries are extremely heterogeneous. There are often enormous ethnic, cultural and religious differences both between countries as well as within them. India, for instance, has 18 official languages and some 1,652 distinct dialects. Despite being predominantly Hindu, India is the world's third largest Islamic country with some 161 million Muslims. South Africa has 11 official languages and more than 700 living languages are spoken in Indonesia. These differences, expectedly, raise significant challenges when developing marketing and communications strategies and tactics for these markets.



Insight #2: Pride & Sensitivities

Success in these markets depends on recognizing and understanding the strength, legacy and pride people place in their culture, values and beliefs as well as the pride they have in their country. Remember the immense national pride shown in China at the 2008 Olympics or in South Africa last year when they hosted the Football World Cup.

It is critical to recognize that the populace of Rapid Growth and Emerging Markets do not aspire to be cloned North Americans or Western Europeans. They hold their local cultures and values in high esteem, whilst wanting to take advantage of the latest advancements in products, services and technology from the developed world.

The key to success is best called a 'harmony of opposites'. One of the most famous examples of this is Nokia's mass entry into



the Indian market in 2003 with the launch of the Nokia 1100 - "made in India for India". In addition to typical features for the time, the Nokia 1100 also had several unique India-specific features. Firstly, a built-in torch or flashlight, crucial where there is poor street lighting or a propensity for power outages. Secondly, a dustproof non-slip grip, extending the phone's life by protecting its components and helping ensure people didn't drop it despite the hot, humid and moist conditions.

It is also important that advertising and brand communication uses local cultural symbols and motifs. India has the largest movie industry in the world in Bollywood and in Nigeria, Nollywood is the world's second biggest producer of films (Hollywood comes in third). Not surprisingly, Indian and Nigerian local talent has significant pulling power, and depending on the category will probably be preferable to using talent from developed markets.

Insight #3: Take a look beyond Tier 1

In China (like other Rapid Growth and Emerging Markets) the critical mass and 'sweet spot' lies beyond where most western companies are competing. Savvy organizations recognize that Tier 1 cities are just the tip of the iceberg. Take China. Less than 5% of China's population lives in the Tier 1 cities of Shanghai, Beijing and Guangzhou. Only a third of retail sales comes from the top 20 cities in China. This in a country which has 113 cities with a population of more than 1 million people.

But moving beyond Tier 2 cities in China creates its own challenges. Consumer needs and preferences are often different, as is the relative influencing power of various media and contact points. Advertising has to be more functional, actually demonstrating the product's features and benefits. Distribution strategies are far more challenging, relying more on the traditional trade or mom and pop stores. This brings into play a whole new set of rules, and ones which potentially challenge the fundamentals of consumer marketing as taught in developed markets.

Yet it's also worth noting that whilst more isolated than their top-tier counterparts, people in smaller cities and rural areas still crave new things and once exposed to innovations become avid users of new products and technology.

If you want to optimize your organisation's success outside of top-tier cities in emerging markets, our recommendations are to:

- **Ensure sustainability.** Products must have long-lasting durability as it is more difficult to frequently change or replace them owing to affordability issues
- **Process innovation.** Start from the lowest common denominator. Understand and define the fundamental gaps and opportunities. Refine the offer to take advantage of these.
- **Adapt functionality** to suit different living conditions, such as no running water or minimal electricity
- **Think about ways to educate consumers.** Functional advertising and direct selling are essential

- **Distribution innovation.** Understand infrastructural and logistical constraints; for example, 60% of Kenyans live more than 5km from a sealed road.
- **Ensure price performance.** Provide great quality at affordable prices, potentially achieved by smaller units or packs

Insight #4:

Leapfrogging Technology

One of the key characteristics we see in Rapid Growth and Emerging Markets is leapfrogging of technology – that is embracing and even leading in newer more advanced technologies rather than following their chronological evolution. Take the mobile phone. Think back to India in 2002 prior to the launch of the "made in India, for India" Nokia 1100. At that time India had about 10 million mobile phone connections (and many more land lines). Today there are 800 million mobile phone connections.

Access to mobile phones has increased productivity and earning capacity significantly. Because of the impact it has on their lives, people in rapid growth markets are becoming the most sophisticated users of mobile phones in the world.

Insight #5:

Rapid Digitization

Rapidly expanding Internet usage, partly driven by advanced usage of mobile phones, is another feature of emerging markets with strong marketing implications.

In 2009 China surpassed the United States as the biggest Internet user market in the world. China now has more than 457 million Internet users with 303 million of these accessing the Internet via mobile phones. Also, June 2010 figures indicate that some 49 million people in China are now accessing the Internet uniquely via a mobile phone. The Chinese are also amongst the most advanced 'netizens' in the world, leading the way in Web 2.0 user-generated content via social networking and blogging. Indications are that other emerging markets will follow China's lead and mobile technology will drive mass market Internet take-up. What are the implications? To optimize success in the world's fastest-growing markets, organizations must not only

have a well thought through digital strategy, but this strategy must also be effective in the mobile phone netscape.

Insight Summary: Taking a fresh business approach

Achieving success in Rapid Growth and Emerging Markets requires organizations to look at these markets (and their consumers) through a different lens, and to recognize that a customised strategy and approach is required. As highlighted, such is the heterogeneity both across and within rapid growth markets that often multiple approaches will be needed. If your success is to go beyond the tip of the iceberg it is essential that the focus is on those who live beyond Tier One cities. Their needs and category understanding will often vary when contrasted with their Tier One counterparts and it is essential that product offers and marketing support are tailored and localized.

Success within emerging markets is often dependent upon penetrating the Traditional Trade who move more than 90% of goods sold in some markets. This presents a range of unique distribution, packaging and marketing communications challenges which you need to address.

Finally, given the strong indication that mobile communication will rapidly drive Internet penetration and usage across Rapid Growth and Emerging Markets, it is essential that Digital is central to your marketing and distribution strategy and that this embraces mobile.

For organizations prepared to embrace the challenges and willing to be flexible in their business approach, the opportunities and rewards in Rapid Growth and Emerging Markets will be great – the key is ability to embrace a fresh business approach.



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* Rapid Growth Emerging Markets are markets with both a very high growth rate and significant market potential. These include the Goldman Sachs coined BRIC countries: Brazil, Russia, India and China and the N11 countries: Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, South Korea, Turkey and Vietnam. TNS is also closely monitoring a number of African countries, including South Africa.

understand

Understanding the Mind of the Emerging Market Consumer

Do the research methods, techniques and analysis frames invented in the West work equally well in emerging markets? What are the specific characteristics of the emerging market consumers, which we need to acknowledge while attempting to peep into their minds?

Market research started by asking people questions. Initially the questions were simple and researchers asked, for instance, how many sticks of cigarettes the consumers smoked or which brand did they normally buy. Not satisfied with just knowing the consumer's behaviour, the researchers started to probe into the consumer's mind to understand the factors determining the behaviour. The questionnaires were replete with open-ended as well as close-ended questions, trying to understand the reasons for consumer choice. In qualitative research this developed into what was called motivational research, while over time the quantitative researchers started relying more on observational research and derived statistical methods.

When the cigarette and washing powder companies started researching the consumers in emerging markets (earlier referred to by various names including poverty-stricken countries, underdeveloped nations or developing markets) they brought the same bag of tools to this part of the world and sari-clad women in India were goaded to try to imagine Surf as a person and more recently the Chinese, with their recent discovery of money and what it can do for you, started ticking the top 5 out of the 30-attribute-long list of factors which could have led them to make their choice. The question really is whether the tools and techniques developed in the Western world work equally well in the emerging markets, or do we need to develop new techniques, or at least to modify existing ones, to reveal the emerging market consumer's psyche. Of course some will argue that many of the techniques used for decades in the Western world (particularly the few that I alluded to earlier) never actually worked in the Western world either – so they never had a chance in the emerging markets. Setting aside such cynicism here, I give six reasons why marketing research (though hardly anyone uses this name any more) needs to work differently in Asia and other emerging markets.



Understanding the Mind of the Emerging Market Consumer

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one

The very process of asking pointed questions to try to understand why consumers do what they do, assumes several preconditions. Firstly it assumes that the consumers themselves know the answers. In many cases this may not be true as the process may be subconscious (few will deny that consumers in both the developed and the emerging world have a subconscious!). Secondly it assumes that the consumer is willing to share the underlying reasons for their behaviour, which may not hold water in general, and even less so in emerging markets. Lower-income consumers may be reluctant to admit that it was price that played the principal role in their decisions. On the other end of the spectrum (emerging markets seem to be producing more than their fair share of the super-rich!), in many Asian cultures sticking out and attracting attention is frowned upon, and decisions are supposed to be rational rather than emotional. Luxury consumers are, therefore, unwilling to admit the extent to which intangible factors such as status and emotions shape their decisions. The true reasons in Asian markets therefore often need to be derived and reliance on direct questioning is inappropriate.

two

Value derived from direct questioning critically hinges on the existence of an adequate level of articulation from the consumers. Of course emerging market consumers in general are not inarticulate, but limited education as well as not being used to airing their opinions, particularly on products and brands, can make the consumers feel substantially challenged in articulating their reasons for choice (assuming that they know the reasons). In general the questioning needs to be less open-ended or hypothetical and more based on choice analysis. The best way to understand the consumer's mind in the developing markets is to place them in alternative choice scenarios, and analyse the choices through statistical techniques.

three

The shopping context is often different in Asian and other emerging markets as compared to the developed markets. The emerging market consumers do not necessarily shop in the Wal-Mart and Carrefour hypermarkets that were the favourite haunts of consumers from the developed economies (until the economic crisis made them hold tighter to their wallets). In India as in small-town and rural China, traditional trade dominates. The traditional trade situation results in a unique dynamic between the shopper and the seller which can strongly influence the choices of the shoppers. This is unique to the developing markets and the researchers in the West never had an opportunity to study this dynamic. The right research tools to study this need to be specific to the emerging markets.

four

The emerging market consumers, not having the benefit of hefty wallets, show price sensitivity to an extent that the Western consumers will be entirely indifferent to. Additionally the price sensitivities can vary substantially at various price points. The pricing research techniques in emerging markets, therefore, need to be more sophisticated to catch the higher sensitivities and variations – conjoint analysis and discrete choice modelling should find even wider applicability than in the West.

In sum, researching the consumers in Asian and other emerging markets requires more sensitivity and sophistication than in the developed markets. It is essential that the researchers focus their efforts and energies on this part of the world, sharpen their tools and develop new ones to accurately capture the mind of the emerging market consumer.

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five

In general the experience and interaction of the emerging market consumer with brands is relatively limited. Thirty years ago a Chinese consumer seldom saw an advertisement. Today they are overwhelmed by them. Thirty years ago they had practically no choice and now they have a bewildering array of product options in front of them. This rather rapid change in scenarios has led to the development of choice algorithms which are different from the ones which guide Western consumers. For example the choice algorithms in certain categories include a rapid screening process and then a detailed evaluation to make the task more manageable. Understanding these choice processes will therefore require a two-stage questioning process and exclusive reliance on detailed attribute image measurement will not be appropriate.

six

Lastly the consumption context of products is different in Asian and other emerging markets as compared to the developed world. A refrigerator, for instance, may find a place of pride in the living room rather than in the functionally more appropriate position of the kitchen. Food may be consumed on the floor rather than on the dining table. These differences give rise to new attributes of relevance which we do not normally associate with the category. Neglecting these aspects will provide an incomplete picture and fail to fully explain consumer behaviour and choices in these markets.



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culture

Through the Culture Lens

Corporate board rooms and strategic forums band them together as ‘emerging markets’ because of their large populations and mouth watering growth rates, but culturally these markets are often worlds apart from each other. They are also fundamentally different in character from developed markets as most of them are products of catharsis caused by sudden political, economic or ideological discontinuity. As they emerge from the time warp to rapidly integrate with the rest of the world, they do so without tearing away from their cultural roots.

How does this impact global brands that target these markets? Will Johnnie Walker’s ‘Keep Walking’ campaign that celebrates the human need for achievement resonate as much in India and China as it does in the markets it was created? Does L’Oreal’s individualistic assertion that ‘You are worth it’, appeal in societies that have been historically collectivistic and where gender roles have been quite separate and well defined? We have seen from our work that these global ideas that are based on fundamental human truths travel across cultures and over time. We have also seen that not all brands manage to translate them successfully. Brands that adapt these much loved stories in a way that gets to the heart of every culture succeed, while others struggle.

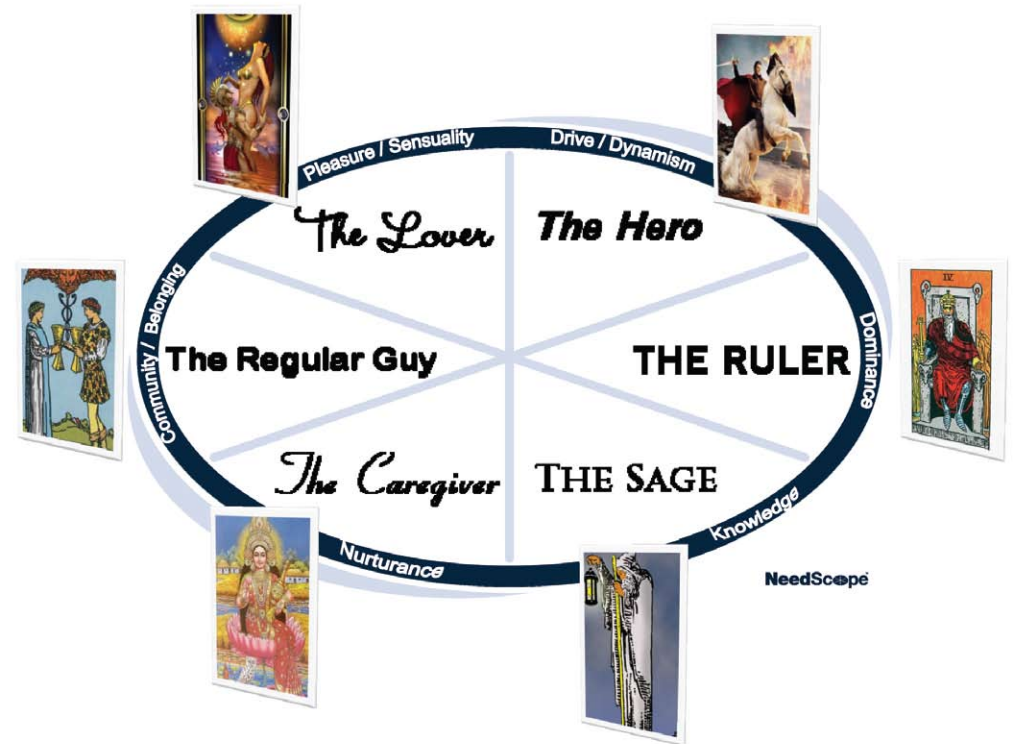
At TNS, we use Archetypes as a framework to provide our clients a holistic understanding and a universal platform, at the same time giving them guidance to adapt and address variations in local expressions and cultural sensitivities. Given that fundamental human needs endure over time allows us to trace how manifestations of these archetypes shift as cultures evolve – particularly useful in studying the rapidly changing emerging market cultures.

The Archetypes framework we are working with

Since the number of archetypes is limitless, it has been necessary from the perspective of practicality to focus our work on a few of the most notable, recurring images. In doing so, we have drawn from NeedScope, our proprietary segmentation and positioning model based on motivational theory, that has been widely used in brand meaning management. This article briefly discusses two archetypes, but there is thinking available on the others.

The Ruler

The Ruler archetype is about unequal entitlement and privilege based on wealth, social position, gender or age. It is about celebration of success, elitism, extravagance and sophistication, authority and prestige, expressions that have strong resonance in emerging markets where consumers are celebrating new found affluence and revelling in pushing the boundaries of achievement. Ruler brands serve to establish superiority, win them acknowledgment and admiration. The Ruler archetype is equally relevant in both China and India, but with subtle differences.



Acceptance of inequality is interwoven in the social unconscious of India with the birth caste system a historical defining variable of society. Politically, even today, after six decades of democracy, Indians are still drawn to dynastic rule. As India changes, new power sources emerge to replace the old. Wealth is now a new divider and often put on display to applauding, appreciative audiences. The size of the car, the mobile phone brand, the choice of holiday destination – all serve as symbols to establish a man’s position and worth among his peers.

Comparisons are not considered odious and envy is not a negative. Many a successful brand has been about raw envy. Onida’s ‘Neighbour’s Envy, Owner’s Pride’ (<http://www.youtube.com/watch?v=nPDPgIdEbQ>) was a celebrated campaign that catapulted the brand ahead of others. Even home care and social events serve as stages to perform and gather appreciative applause –

Through the Culture Lens

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whiter shirts that help get the husband promoted, shinier floors that leave friends dumbstruck and envious, choice of health food that makes children taller and smarter than their peers (<http://www.youtube.com/watch?v=TpZ-QWX6Prw>), serving premium Scotch at a friends' reunion as a blatant show of one-upmanship.

China too is a fertile market for Ruler brands. Chinese display a strong appetite for premium auto, prestige beauty products and luxury goods. And the pleasure is enhanced if the consumption is visible. However there are significant differences from India. Unlike India, power play is relevant more to lifestyle categories. Gender, age, social class are not natural sources of privilege and do not therefore serve as credible platforms for Ruler brands. Communism and the Confucian thinking have ensured that no one feels powerless, so display of power is **not** dependent on establishing others as inferior or powerless, a theme that recurs commonly in India. In fact one-upmanship is considered graceless and any brand that portrays it is likely to be rejected. Ruler brands in China face the challenge of creating the unusual combination of power and success with balance, humility and grace. Success is better portrayed as indulgence and enjoyment (often shared with family and friends), rather than flaunting of superiority. Chivas Regal does this perfectly with their Chivas Life campaign and is a leading spirits brand in the market, significantly ahead of others. L'Oreal's use of the actress Gong Li is a master stroke. She combines international achievement, head turning ageless beauty with admirable feminine grace: confident, but not a diva, desired by many, but not claiming worship and superiority over men.

The other significant difference from India is that the Ruler archetype is rarely used in the family context. In India, age and relationships are often used either as themes of power, or as power to be challenged (confronting the domineering mother-in-law, empowering the female child or claiming equality in a marriage). Gender equality is one of the positive outcomes of Mao's 'women hold up half the sky', and although roles in the home are clearly divided, so is power and authority. There is no latent conflict that brands can address and leverage into their stories.



The Caregiver

An example of a global archetypal campaign adapting successfully to Asian cultural realities is Unilever's 'Dirt is Good' campaign. A Caregiver story that brought smiles around the world based on the thought that 'every child should play and be normal and getting dirty is part of childhood'. The brand enables the homemaker to nurture a natural childhood with love and without constraints. However, for the story to be effective in Asia for a premium range of fabric care, the Caregiver campaign needed adaptation. Asian motherhood combines devotion, unconditional sacrifice with determination to ensure a better future for her child. The DIG narrative was adapted to reflect this by adding purpose. The campaign was still about playing and getting dirty, but the story spoke about play being necessary for the child to **learn** about winning, surviving, competing and becoming better equipped for the future. Using a supportive teacher as a spokesperson (an authority figure) watching the children getting dirty and playing soccer, the brand remains true to the Caregiver archetype, but also provides the permission that the Asian homemaker needs to spend the premium.

The work on Culture and Archetypes is a work-in-progress initiative to formalize cultural knowledge about the countries we regularly research and market to around the globe. What we have been able to discuss here is a tip of the iceberg, not just with respect to our own learning about these markets but also with respect to what is possible going forward.

We hope that this will inspire further thinking about the importance of formalizing such knowledge and putting it to use in sharpening our brand and communication strategies across cultures. We believe there is much to learn here, and have, over the course of this work, been awed by the cultural variations in how simple human needs are manifested and the significance these variations have for our work.



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LETTER FROM CHINA

China had another magnificent year last year with GDP growth of 10.3%, and officially overtook Japan as the second largest economy in the world. However there is no overt celebration of this milestone in China as there is widespread recognition that a lot more needs to be done to improve the living standards of the people (in terms of per capita GDP China still ranks around 100th in the world). Not only that, but consumer incomes are not keeping pace with GDP growth.

The new five-year plan aims for only a modest 7% per annum growth over the next 5 years, the focus being to put more money into people's hands (the personal taxation threshold is also being increased), give a boost to domestic consumption and wean the country off its massive addiction to exports.

Consumer spending is also being challenged by rising prices. Until recently China had managed to sustain rapid economic growth without facing the spectre of inflation. However things have been different in 2010, and the Consumer Price Index has shown steady growth and the prices of vegetables, meat, milk and other daily necessities have been in an upward spiral. While the Merriam-Webster dictionary declared "austerity" to be the global word of the year, in an opinion poll in China, the netizens declared the character zhang 涨 as the character of the year. The word means "rise", "go up" or "swell" and is often used in the context of the rampant and rapid price increases in China. Its election as the most important character of the year encapsulated the consumer angst at rising prices. Marketers will need to work harder to provide persuasive arguments and alluring offers to make consumers loosen their purse strings. Management of pricing and value strategies will be one of the key challenges for marketers in the coming months.

The amount of money consumers spend is also constrained by property prices, as large mortgages take up a significant proportion of their incomes. House prices in big cities have increased several folds in the past five years – not just based on demand for housing but also fuelled by investor speculation. The young Chinese do not believe in the concept of renting an apartment when starting off in life and gradually saving for a few years to buy an apartment. An apartment should be available to house the nuptial bed – according to a recent poll, 70% of Chinese women will refuse the hand of any young man, whatever may be his attractions, if he fails to produce the keys to an apartment in his (and her) name. This adds an additional challenge to men, who being the more numerous gender, already face a disadvantage in terms of securing a bride. A popular television series called Dwelling Narrowness (蜗居 Wo Ju) touchingly captured the dilemmas and the tension among the Chinese in relation to their obsession with securing an apartment. The Chinese love for bricks and mortar has far-reaching implications for their behaviour. Ironically the high cost of the house goes hand-in-hand with the low cost of the household cleaners used by the consumers!

While most Chinese struggle to secure a house, as it has been a while since China first allowed its citizens to get rich, it has now reached a generation of 富二代 (fu er dai or second

Letter From China

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generation wealthy). These and also the 官二代 (guan er dai or the sons and daughters of officials) enjoy privileges and comforts which lesser mortals can only dream of. Consequently this generation is under constant scrutiny from the public and any sign of abuse of power or money is pounced upon. A telling sign of this was the public outcry that greeted an incident in Hebei Province. A young lad knocked down a young college student and shouted “Sue me if you dare – my dad is Li Gang”. The fury and lampooning unleashed on this by the netizens was unprecedented. Needless to say Mr Li Gang (a deputy police chief) had to publicly apologize and also forego his official position. From a marketing point of view, it would seem that the public sympathy is with the “self-made” man – depiction of the privileged generation in communication, if required, should be done with caution.

Often this kind of public outcry is unleashed on the Chinese social networking websites including Kaixin and Renren and more recently China’s answer to Twitter – the Sina microblog. The Chinese netizens’ wholehearted embrace of microblogging has been one of the highlights of 2010. Never fond of email, Weibo (microblog) is now the preferred way to keep in touch with friends among many Chinese Internet users. The fact that you can follow the lives of celebrities comes as an additional bonus. Clearly to marketers it opens another very important channel through which they can reach out to consumers with their brands and messages. However, given the fact that it is a medium for consumers to bond with their friends and loved ones, marketing needs to think hard and innovatively to earn its place in the medium. Popularity often attracts abuse, and in this case the birth of “follower factories” who can turn you into an instant celebrity with more than 10,000 followers, at a price of fifty dollars.

Chinese netizens will describe the rise of Sina Weibo as “gelivable” – a word coined by them based on the Chinese word 给力 geili, meaning “to give power”, which is now used to describe anything which the netizens consider to be cool and exciting. The question that marketers need to ask themselves is – are you on your way to make your brand “gelivable” in China?