



Growing the Core Business in Emerging Markets

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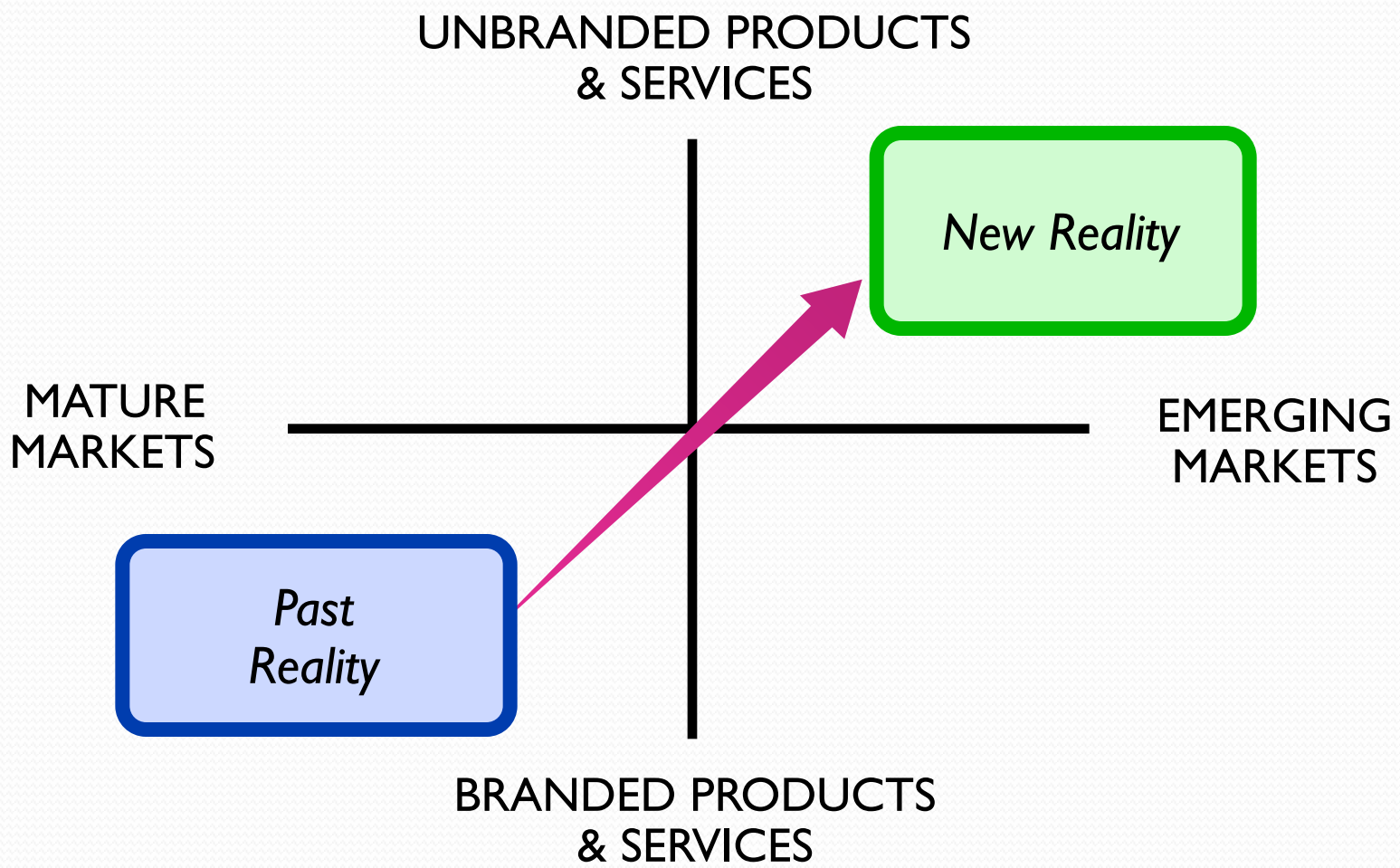
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2014 World Marketing Summit

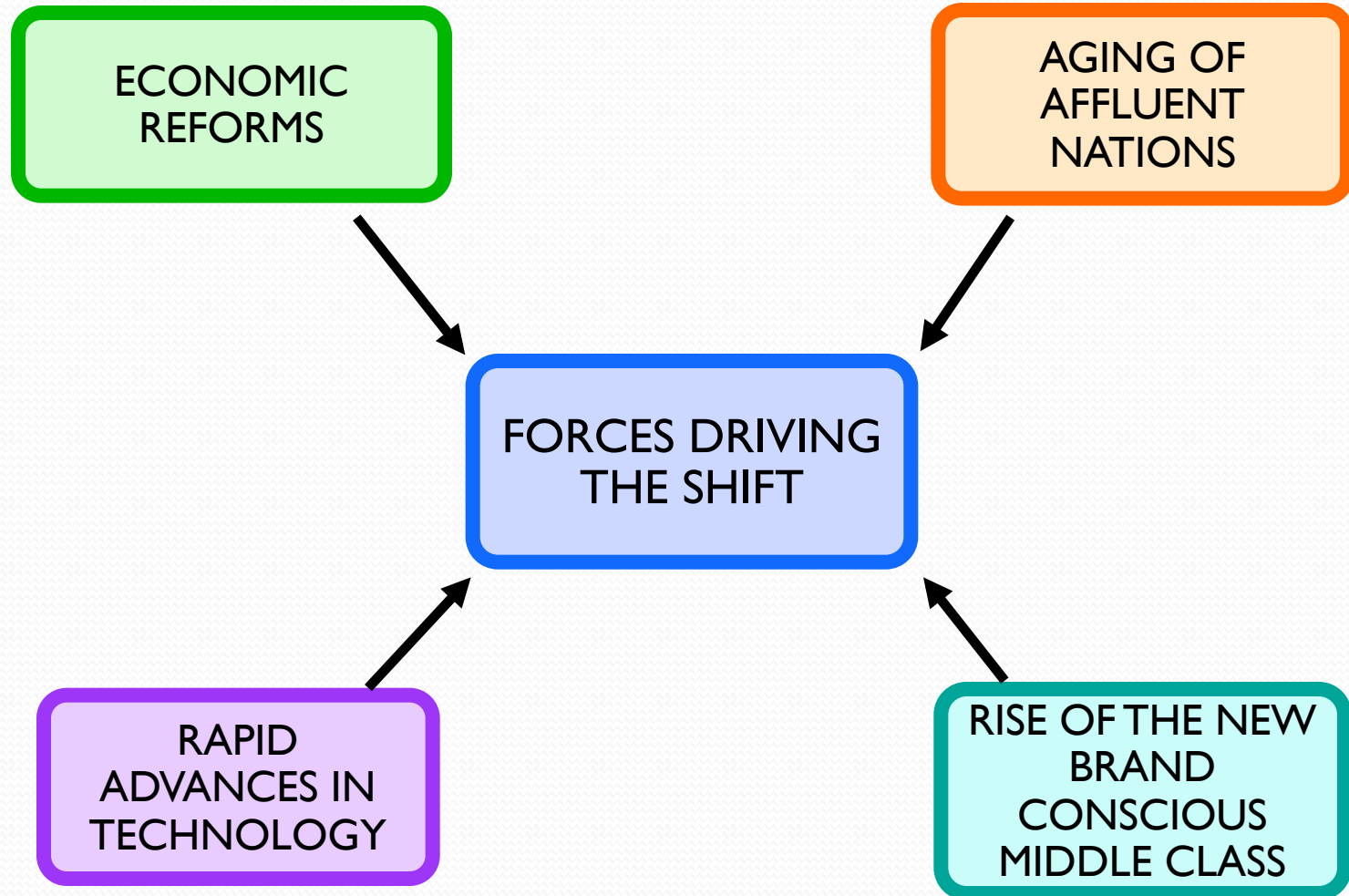
Tokyo

September 24, 2014

The Fundamental Shift in Global Growth



Forces Driving the Shift in Global Growth



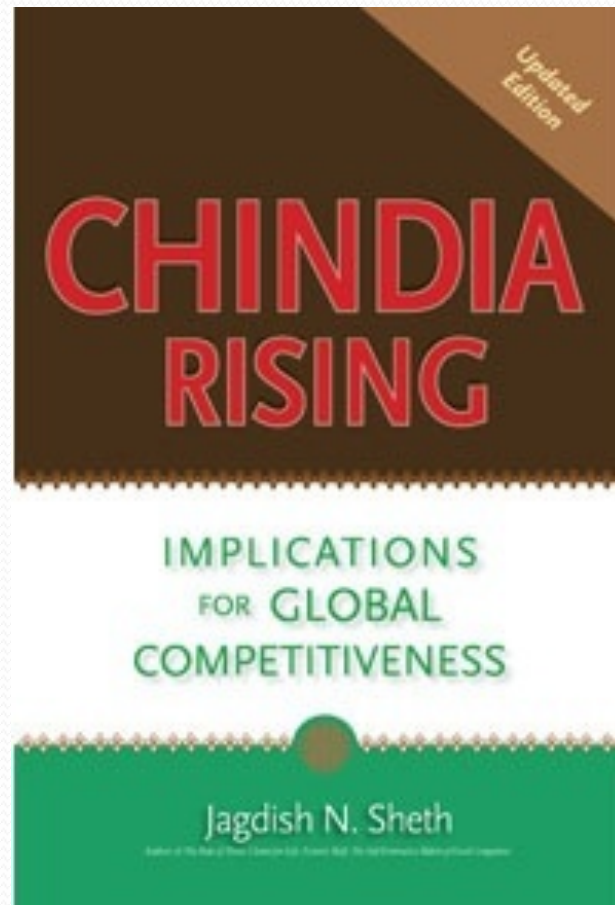
New Measures of World Economies

Purchasing Power Parity (PPP) based GDP

2015 (Forecast)

1.	U.S.	\$ 18 trillion
2.	China	\$ 17 trillion
3.	India	\$6.0 trillion
4.	Japan	\$5.0 trillion
5.	Germany	\$ 3.4 trillion
6.	Russia	\$ 2.9 trillion
7.	Brazil	\$ 2.8 trillion
8.	UK	\$ 2.7 trillion
9.	France	\$ 2.6 trillion
10.	Italy	\$ 2.0 trillion

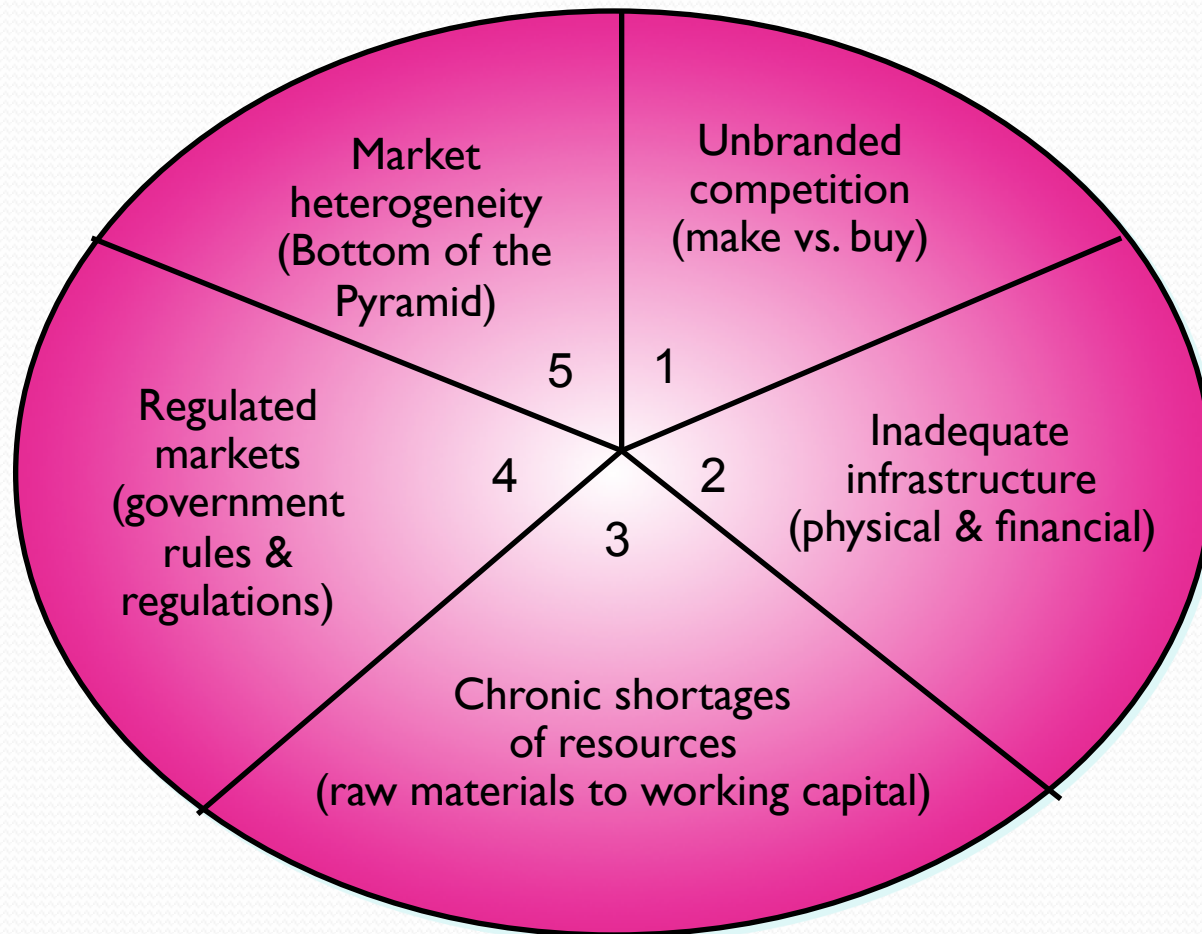
Source:
International
Monetary Fund
(IMF)



New Measures of World Economies

- China is the second largest economy based on PPP index and just surpassed Germany and Japan in GDP. It will be the largest single economy by the year 2020.
- India is the third largest PPP economy, and it is likely to surpass Germany and Japan in GDP by 2020.

Five Characteristics of Emerging Markets



Source: Jagdish N. Sheth, "Impact of Emerging Markets on Marketing: Rethinking Existing Perspectives & Practices." *Journal of Marketing* (Vol. 75) July 2011, pp. 166-182.

Confronting the New Reality

- Most marketing failures in emerging markets can be directly attributed to these five unique characteristics.
- Neither extension nor adjustment strategy is sufficient.
- What we need is a fresh perspective on how to succeed in emerging markets.

Marketing Strategies for Emerging Markets



Marketing Strategies for Emerging Markets

1. Convert Non-users to Users

Wine consumption in China
Jeans & T-shirt for Indian farmers

2. Invest in Branding, Packaging & Design

Branded commodities
Climate, culture and consumption

3. Democratize Innovations

Cell phones
Nano car

Marketing Strategies for Emerging Markets (cont'd)

4. Implement Reverse Innovation
 - Focus on affordability & accessibility
 - Base of the Pyramid
5. Reverse Brand Lifecycle
 - Corolla-Camry-Lexus
 - Chinese cell phones & appliances
6. Focus on Fusion
 - Fusion on arts & culture
 - Fusion meals

Marketing Strategies for Emerging Markets (cont'd)

7. Reinvent Distribution
 - Avon products in Brazil
 - Mobile Banking (M-PESA)
8. Leverage Digital Media
 - Social media
 - Mobile marketing
9. Think Local, Act Global
 - SAB Miller, Heineken
 - Diaspora Marketing

Marketing Strategies for Emerging Markets (cont'd)

10. Purpose Driven Marketing

Environment: The Show Stopper

Mindful Consumption

Nurturing Nature

Conclusion

- Marketing practice will be more driven by growth of branded products and services in emerging markets.
- This is due to aging of affluent nations, rise of new brand conscious middle class, advances in technology and economic reforms.
- Rise of Chindia (China and India) will have the greatest impact on world's resources, markets and geopolitics.

Conclusion

- Understanding and adapting to the five unique characteristics of emerging markets will be key to success.
- The five characteristics are:
 - Unbranded competition
 - Inadequate infrastructure
 - Chronic shortage of resources
 - Regulated markets
 - Market heterogeneity

Conclusion

- We will need new and innovative perspectives on how to market products, services and ideas in emerging markets. These include:
 - Converting non-users into users
 - Focusing on affordability and accessibility
 - Investing in reverse innovation
 - Sustainability
- Rethinking existing perspectives and practices in marketing will generate future growth of the core business.