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IMPACT OF EMERGING MARKET CHARACTERISTICS ON MARKETING PROGRAMS

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ABSTRACT

Global Marketing becomes the necessity for all the business whether small big or multinational where the phrase ‘Global Village’ considered as the integral part of the international vocabulary. The main purpose of this paper is to highlight global marketing challenges through identifying the emerging market characteristics where all the marketers thinks to have global consumers from emerging markets like china, America, Indonesia and making efforts to wove global network and. The emphasis is on the changes and new challenges that the marketing environment poses to the global marketer and how it force marketer to rethink on marketing programs. We identify three key factors that characterize emerging markets: (1) low incomes, (2) variability in consumers and infrastructure, and (3) the relative cheapness of labor. Research throws light on how emerging markets like India and China would lead their marketing efforts and understand how to incorporate these changes into marketing programs. This research concluded with major global marketing challenges in emerging markets and its implications which draws an approach for multinationals, helps them to rethink on their marketing programs. This paper as exploratory in nature explores the way in which marketers can rebuild their marketing strategies.

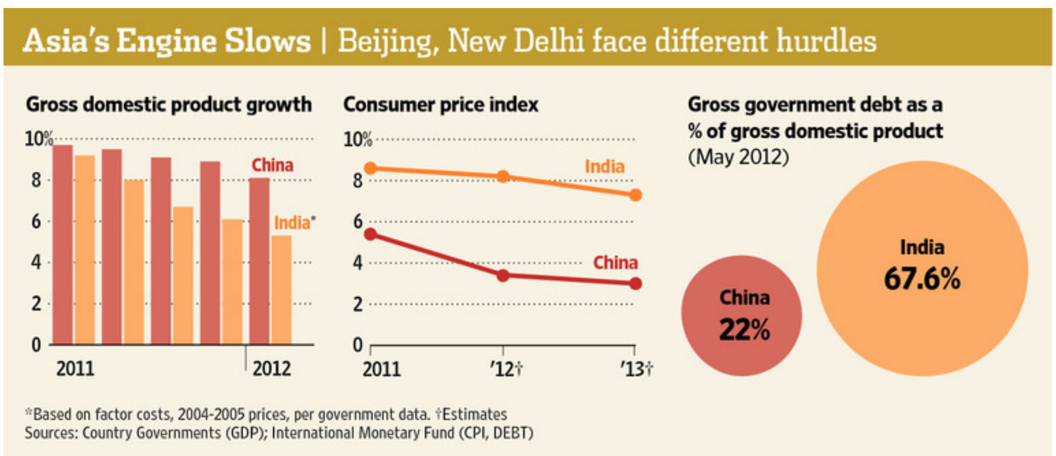
Keywords: Emerging Market, Global Consumer, Marketing Programs

INTRODUCTION

Flourishing market place ever requires due care to keep changing and insist to rethink. Globalization appears to be resolving itself into the growth of trading blocs, with the inevitable tensions of individual nations due to changing demographics of world population and so world economy, power of super national government policies, social changes. China and India are both dealing with economic slowdowns but are on completely different footings to tackle the challenge. Beijing has a range of fiscal and monetary options to revive growth, while New Delhi must make tough political decisions to stem its decline. As India’s GDP growth rate is speedily moving down as in 2012 it is 5.8% comparative to 8% of china, (See

Chart-1). Growth in both countries is essential if the global economy is to expand, given the recession in Europe and the sluggish recovery in the U.S. and Japan. "India had the fastest export growth among major traders in 2011, with shipments rising 16.1 per cent. Meanwhile, China had the second-fastest export growth of any major economy at 9.3 per cent," World Trade Report 2012 of WTO said. China and India are the world's two most populous countries. India's current rate of population growth is about twice that of China (1.55 percent annually, versus 0.66 percent for China). Hence with life expectancy rate is increasing indicates inclusive impact of economic growth. Technology advancement and adoption capacity of any nation also gear up businesses to rethink for marketing programs. China currently has the world's third-largest GERD (after the United States and Japan). Also, the business component (BERD), which may have the greatest early effects on productivity, has increased from 0.25 percent of China's GDP in 1996 to more than 1 percent in 2006. China's GERD has subsequently risen further in absolute amounts and as a share of China's GDP. India's GERD is 0.8 percent of GDP.

Chart-1: GDP and CPI Comparison of China and India



Products and services offered in the marketplace have become highly sophisticated as organizations today offer not one product or service but a 'complete solution'. Instead of targeting Mass Market or affluent market, adapt to local market conditions in every emerging economy will undermine core assumptions about standardization that are fundamental to the success of multinationals. Emerging market veterans such as Unilever, Colgate Palmolive, and South African Breweries have amply demonstrated the viability of mass markets in emerging economies, as well as the benefits of rapidly transferring knowledge gained in one emerging market to others. Specifically, we look at three fundamental characteristics of emerging market environments: income, young populations, demanding culture, underdeveloped infrastructure, weak distribution channels, changing market, which is often substituted for capital by both companies and consumers. These characteristics have profound implications for the conceptualization and implementation of marketing programs. We organize our discussion of the effects of each of these fundamental differences around the central pillars of marketing: segmentation and the key program ingredients of product, price, distribution, and communication.

OBJECTIVES

The main purpose of this paper is to highlight global marketing challenges through identifying the emerging market characteristics where all the marketers thinks to have global consumers from emerging markets like china, America, Indonesia and making efforts to wove global network and. The emphasis is on the changes and new challenges that the emerging market faces and how it force marketer to rethink on marketing programs.

METHODOLOGY

This paper as exploratory in nature explores the way in which marketers can rebuild their marketing strategies. The whole business world is taken as universe and India and china as emerging market selected as sample through convenience sampling. Websites, news papers, journals, magazines are used as secondary sources to reach at findings and conclusion.

REVIEW OF LITERATURE

Personal inequalities in Indian rural and urban areas as well as regional disparities are the emphasis in the study of India's inequality, which uses the National Sample Survey (NSS) data that cover most states in India. Most of the studies look into the overall inequality in India and measure the Gini index by taking consumption or expenditure as a proxy. Other empirical studies have found increasing regional inequality, particularly since 1991 when the economic reforms and openness were launched (Das and Barua, 1996; Rao, Shand and Kalirajan, 1999; Kurian, 2000).

Very few studies focus on the comparisons of income inequality between China and India. Many scholars make comparative studies based only on the World Development Indicators (WDI) that show most countries' Gini index. They point out that inequality is much higher in China than in India according to the latter's low Gini index shown in WDI. The problem here is that the variable of Gini index's measurement is different in China and in India. The Chinese Gini Index is measured by income, but that of India is by expenditure or consumption. Apparently, in the latter, the Gini calculation is lower than that of the former (Heng Quan, 2006). So it is not right to compare the two nations' inequality using this method.

EMERGING MARKETING CHARACTERISTICS

Income level

The inner-urban income inequality in China and India increased in the 80s, but apparently, Indian urban inequality is much higher than that of China, although the latter's inequality is also increasing fast. There are three reasons like 1.) The fast development of service sectors in the Indian urban areas, 2.) The employment and income gap between the organized and unorganized sectors in the urban areas, 3.) The urban slums. Now nearly 40 million people living in the Indian urban slums. They are poor and have no stable job, contributing to urban poverty. In urban China there are no slums due to the very strict residents' registration system (Hukou) which discourages labor mobility It is Very clear that, viewed from either income or consumption, the gap between rural and urban areas in India are smaller than that in China. The reason for this is that in India, free labor mobility helps in narrowing the gap between rural and urban economies, but also contributes to inner-urban inequality.

Large disparities in consumers' incomes imply the existence of multiple segments with very different levels of purchasing power. Segments that vary in income allow some savvy firms to create innovative opportunities. The marketing implications are far-reaching. Not only are pack sizes, and price points affected, but it turns out that consumers' trade-off purchases across a much wider array of product categories. As a result, the nature of competition for any given product is much broader. A manufacturer of soft drinks competes not just with other soft drink manufacturers, but with a broad set of purchases that the consumer considers 'treats.'

Regional Difference and Population

Looking at the geographic sizes of these two nations, it is not surprising that there is considerable variation by region within them. In China, dependency ratios are, likely to remain, most favorable for economic growth in the more densely populated urban areas in the east. In China's most urbanized provinces, total fertility rates are considerably below replacement level, average health status is much better than in rural areas, and large numbers of migrant laborers from rural areas are helping to sustain economic growth. In comparison, rural areas are aging as working-age people move to cities, leaving the elderly behind. Rural-to-urban migration may also affects other aspects of family life (e.g., the likelihood of marriage, whether those who marry live together) in China and India. Since 1990, China has had a higher proportion of its population living in urban areas than India, and China is continuing to urbanize more rapidly than India. The United Nations Population Division estimates that in 2007 China's population was 42.0 percent urban while India's was only 28.7 percent urban . As region differs demands, taste, media habits, preferences, price consciousness varies which could lead the path for developing marketing programs within and outside countries.

Infrastructure

Poor infrastructure as one of the key bottlenecks to growth in India (Pinto, Zahir, and Pang 2006), China has invested heavily on infrastructure. Since the mid-1990s, China has invested between 15-20 percent of its GDP on infrastructure. Infrastructure investment in India, in contrast, has averaged less than 7 percent of GDP. In absolute terms, China's infrastructure investment is about 8 times that of India's since the mid-1990s to the early 2000s. Indicators of Infrastructure and comparative capacity in India and china are a) percentage of population with access to improved water sources (as defined by the World Bank)(b) percentage of urban population with access to improved sanitation c) number of internet users(d) personal computers per 1000 people (e) commercial energy use per capita and(f) electricity consumption per capita. Despite the much heralded information technology boom in India the rate of growth of computer infrastructure and computer literacy has lagged behind the Chinese rate of growth in the last five years. Nevertheless, the gap between India and the developed world has narrowed. Internet users in India are more than 16 million where Internet users in China are 78million.Broadband users in China are 17.4 million where in Broadband users in India are Quiet Low. People habits, expectations and awareness towards products are vary with respect to infrastructure availability. Marketers must develop strategies to remain line with to find broad market for their products and services.

Demanding Culture

It is important to note that national cultural differences have remained fairly stable. The persistence of cultural value differences is particularly relevant for large multinational companies that are exposed to multiple national cultures in their daily operations. This suggests that managing across borders introduces substantial complexity because it forces multinationals to tailor their practices and approaches to each and every cultural context they operate in. Although chines pattern of buying is each time more focused in buying the very best, the latest technology and most well known brand maintaining and effective 'guanxi'relation with decision makers helps to enhance business performance. Cultural values in India are good health, education, respect for age and seniority. But in our culture today, time scarcity is a growing problem, which implies change in meals. Some changes in our culture like convenience, education, physical appearance and materialism. Emerging market in a country like India and china where mixed cultured people living with their own expectations demands for products and services of their own interest.

Differences in firm Characteristics

Chinese firms are much larger than Indian firms, whether we measure firm size by value added or by the number of employees. While the mean number of employees is only 88 in India, it is roughly 400 in China. The distribution of firm size measured by the number of employees in either the China sample or the India sample is skewed to the left. The median firm in the China sample employs 134 workers while the median firm in the Indian sample employs only 15 workers. If measured in total value added (in millions of 1999 U.S. dollars), China's mean is 6 times as large (6.4 million versus 1 million), China's median is almost 14 times as large. Chinese firms also tend to be younger. The median firm in the China sample is 8 years old, 4 years younger than its Indian counterpart, a fact suggesting a more dynamic economy in China.

How the emerging markets were—and still can be—won

The companies that thrive in emerging markets often tend to be the pioneers. Colgate, for example, can lay claim to a century-long legacy of overseas operations. There are certain attributes of such companies like 1.) A taste for Risk. Unilever is consumer Products Company embracing the opportunities in emerging markets while being aware of the risks. Shifting much of its business to new markets will mean a lot of changes, as Unilever CEO Paul Polman explained in an interview for PwC's 14th Annual Global CEO Survey, published last year: "Within 10 years, 70 percent of our business will come from the Far East," Polman said5. 2.) Leave Conventional wisdom at the border. For companies that are agile and adaptable, this is a huge opportunity to create new market share, as well as to protect the market share they already have.3.) Commit for the long Haul. Demographics in virtually all emerging markets work in any company's favor. Take Africa, Turkey, and Brazil. Africa contains more than one billion people and some of the fastest-growing countries in the world in terms of GDP, including Ghana, which grew the fastest in 2010 (China was the fourth fastest growing). It is estimated that in 30 years' time, one in every five children will live in Africa, and the continent will have the largest working-age population. Foreign direct investment overall still is quite low, accounting for less than five percent into emerging markets, so there still are plenty of opportunities.

Marketing Programs for Emerging Markets

However, the localization-globalization debate is much more pronounced in the context of emerging markets, where consumer behavior is so different, and the future stakes so high with the variability in Characteristics like Income level, Regional Difference, Infrastructure, Culture, Firm Characteristics, it must be the due concern of all the marketers to rethink about their marketing programs to grab opportunities received through them.

	Segments	**Products**	**Price**	**Distribution**	**Communication**
Income Level	Segments are coarse and diverse because the large gap between purchasing power due to urban rural disparity	Products need to be functional, available in different pack size, rapid obsolescence is a mistake due to varied preferences with time	Large volumes, and low margins drive Profitability. Consumers gauge prices in relation to a local basket of purchases	Retail distribution is highly fragmented	Convince consumers to adopt the product and consume more by showing same benefits as previously used products
Regional Difference	Variability due to co existence of urban rural population lead complex segmentation	Product line needs to have more length & depth to satisfy differ regional populations	Price promotions yield large volume gains Compare to occasional Promotions.	Urban and rural retailers look similar but operate on different principles.	Selecting local channels and most preferable medias than crating mass media
Infrastructure	Lead number of varied segmentations due to availability and awareness	Offered products which could be facilitate through available infrastructure	Price baskets available due to options available under infrastructure	way selected to Distribute products differ	Selecting local as well as global channels to promote products
Culture	Scope for small segmentation due to existence of various culture	Products can be offered according to festivals, set values	Huge variations in price due to differed value	Various way available to fit with customers and norms	Culture focused messages lead huge return out of products
Firms Characteristics	Despite huge differences in consumers' cost of time, the market cannot be segmented on this dimension because time is bought and sold.	Products can be reengineered to replace some elements with consumers' labor. Makes the product more affordable to the mass market.	Consumers' make versus buy decisions drive value perceptions. Competition also comes in shape of home-made products.	People rather than machines provide a cost effective means of delivering products to consumers.	Mass media don't always have a cost advantage over face-to-face customer interaction. Sales forces can be used to communicate product benefits and usage more effectively.

CONCLUSION

One means of justifying the pain is to abandon the traditional practice of having country-focused strategies, such as a "China strategy" and an "India strategy," and to begin to consider the firm's "emerging market strategy." Rethinking the marketing strategies in this ways on common basis for emerging markets and potential size enables marketer to reach mass and satisfy them with accurate assessment of cost and benefits of localization.

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