Get Intelligent About Emerging Markets

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Any entry into emerging markets is fraught with uncertainties. There are no guaranteed winners. Take Carrefour for example. After an unsuccessful attempt to enter Brazil and its focus on the hypermarket model even as consumers buy more goods locally and online, its share prices have fallen since 2009. On the other hand, Yum! Brands, the operator of KFC, Pizza Hut and Taco Bell, seems to have beaten McDonald's in conquering China. Today, it has over 4,000 stores compared to about 1,500 "golden arches" restaurants in the mainland.

How can consumer and retail companies ensure that they pursue the right business models in emerging markets? To start with, they need to start with the right type of research and intelligence.

Survey findings: Better intelligence/due diligence is needed

In a recent study by GIA, consumer and retail companies say they expect an average of 28 percent of their global revenues to come from Emerging Markets by 2017. The majority (97%) however, say they could have done better with their emerging markets strategy; more specifically, 35 percent said they would have adapted better to the local market and prices; more than 20 percent said they would have used better intelligence/due diligence.

More than 60 percent say that information on emerging markets is not readily available in their organizations while 77 percent doubt the accuracy and completeness of the information.

Rahul Dhingra, Senior Consultant at GIA North AmericaTo plan their emerging markets strategies, too many consumer and retail companies rely on consumer research alone and fail to invest more in market intelligence as well.

Understanding the differences

Market intelligence commonly falls under strategic planning and business development, and focuses on the entire value chain for a specific product or service. For example, it can put the competition's activities in context. It can tell you if your competitor is speaking to the same targets, and how they are working to take market share from you.

Consumer research on the other hand, is used to discover what consumers want, need, believe or how they are likely to act by asking consumers themselves. It might tell you who to speak to and how, in order to win more market share.

The methodologies used are also very different. Market research typically employs surveys - whether executed online, by phone, by mail or in person – as well as focus groups, in-depth interviews, home diaries, panels, ethnographic shadowing, and so on. In other words, consumer research focuses squarely on existing or potential customers.

In market intelligence, you would size markets using statistical modeling, conduct due diligence on new markets, review potential new business partners or acquisition targets. You can assess not only the consumer market characteristics and retail market size, but also the likely future development of the market, the positioning and strategies of key competitors, potential distribution partners, as well as the business regulatory environment.

Table: Comparing approaches

Some common business situations	Market Research approach	Market Intelligence approach
Exploring new markets or keeping up with changes	Usage & attitudes research; brand image research; concept testing	Market sizing/forecasting; trend analysis; competitive landscape analysis; go-to-market market strategy
Established customer base; losing share/no growth	Market segmentation research; brand image research	Voice of the customer analysis; competitor benchmarking
Acquisition screening and prospect evaluation	Not relevant	Target identification, screening and evaluation
Improving competitive performance	Brand image research	Competitor deep dive; best practices benchmarking; competitive growth strategy
Acquisition due diligence	Survey of target company's customers/prospects	Competitive landscape analysis; SWOT analysis; industry perceptions research

Market intelligence is used to help organizations understand their business environments, compete successfully in it and grow as a result. For example, beyond involving customers themselves, we look at data from company accounts, official statistics, trade bodies as well as interviews with business contacts or government officials.

They can both work hand in hand

Having said that, consumer research analysis can be used in conjunction with

market intelligence by integrating the drive toward strategic goals with strategic roadmaps. We have seen this take the form of marketing calendars, where key competitors' marketing campaigns are plotted on calendars in order to determine the best time to launch a new campaign, or take the form of war-gaming exercises, where teams imagine what the competitors are most likely planning, and how their own firm can defend against those competitive strategies.

Ultimately, integrating market intelligence with consumer research enables both a tactical and strategic perspective, which includes consumers, suppliers, competitors, economics, and other market forces.

Case study: Household appliances

In one project for a consumer goods company, GIA was asked to recommend a business expansion strategy for household appliances, including optimal channels, product focus and price positioning, and the fastest route to implementing the strategy in Indonesia.

Needless to say, we included consumer research methodologies as part of our approach. We conducted retail visits and focus group discussions in each major market, where we explored consumer usage, attitudes, perceptions, concept reactions and brand loyalty.

In addition to that, we also conducted desk research and industry interviews. Most of our insights were derived from semi-structured interviews with industry players in our client's target countries, including key competitors, channel players, prominent master distributors as well as industry associations and experts. Probing and elicitation techniques with industry stakeholders were highly critical to gathering insightful information.

Next, we used all the information we gathered in benchmarking and validating our final analysis and recommendations. These included reality checks, logic and consistency checks, cross-checks between sources and validating key findings with local industry observers. Ultimately, the client was able to get a much more comprehensive picture of their market challenges and were able to tailor their product offering and marketing approach much more successfully.

While traditional consumer research is certainly valuable to marketers, consumer and retail companies can make even better informed business decisions by employing a broader-based market intelligence approach in tandem with it. With a relatively small investment and high ROI, market intelligence that looks at the whole value chain can play an important role in capturing strategic opportunities and avoiding potential pitfalls.

While 60 percent of the consumer and retail respondents in the GIA survey say that decision making in their organizations is efficient in general, 44 percent admit that decisions on emerging markets are delayed due to lack of information. This can be prevented if you plan early and look at how you combine both consumer research and market intelligence approaches to best fit your needs.

Global Intelligence Alliance (GIA) is a strategic market intelligence and advisory group. GIA was formed in 1995 when a team of market intelligence specialists, management consultants, industry analysts and technology experts came together to build a powerful suite of customized solutions ranging from outsourced market monitoring services and software, to strategic analysis and advisory.

Today, we are the preferred partner for organizations seeking to understand, compete and grow in international markets. Our industry expertise and coverage of over 100 countries enables our customers to make better informed decisions worldwide.

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