



The Sales and Marketing files: Each month, CEO Europe shares its expertise and presents you an expert synopsis of a specific topic.

*Report written by  
Stephan Bassett  
iCEO #18178, USA Based*

Find us on the Web:  
[www.ceo-europe.com](http://www.ceo-europe.com)

+33 (0)147 701 998

## Have a strong emerging markets offense - Prevent failure at home©.

By Stephan Bassett, New York

Time was we thought the world was flat – chaos would befall us should we sail too far. Then Christopher Columbus proved the world was round. In 2005, New York Times columnist Tom Friedman postulated that the world is flat – again! So, is the world flat, or is it round?

It's neither – let me explain – remember when you were a kid and would fill balloons with water and try to keep the balloon in one shape – you couldn't – because when you held the balloon, one side would quickly expand as water flowed to the point of least support. For businesses, and especially brands, the world is much like that proverbial balloon – it's neither round, nor flat, but constantly reshaping itself like that balloon. Welcome to the "water balloon world."

The implication for marketers is there is no hiding from "brand predators" – anywhere in the world. Like that water balloon, predators go to the point of least resistance, pop out and establish themselves as the category leader. Then what? The predator builds up cash to attack a brand even in its own backyard. Now in a defensive position, executives begin spending millions in new marketing programs, or acquiring the competitive interloper, or changing ad agencies or moving to a new Chief Marketing Officer. It's panic management.

Nothing in our marketing sphere exemplifies the "water balloon world" more than competitors in emerging markets – especially China and India. These giants are far from developed, but they have emerged as a breeding ground for global brand competition with immense domestic markets, that are creating wealth and a newly demanding consumer base.

Today, China is leading the emerging markets sector. The economy is expanding at 10% annually and probably more – that's 3.5 times that of the U.S. and 5 times of the EU. The Chinese are using "American brand technology" to launch their branded products globally, firing up plans in automotive, household appliances, electronics, OTC products and fashion.

During my three years in China, senior government officials and executives in State Operated Enterprises made it clear that faster than anyone expects, Shanghai and Beijing will become the world's capitals of money and power. In my forthcoming book "Shifting Center of Gravity – New York to Shanghai" I describe what it takes to build brands in highly competitive, sophisticated emerging marketplaces. The greatest implication for marketers is that in



today's "water balloon world" the water is definitely flowing westward across the Pacific and Western brands best be competing across the Pacific rim.

Concurrent with intense competition in emerging markets, we're witnessing a break up of the traditional marketing business model – it's churning and in a state of flux. No longer can we create a product, hire an ad agency to get the message out through limited media choices, sell the product through simple distribution channels and expect pretty standard consumer responses. Consequently, brand managers, CMOs and CEOs are grappling with today's most important marketing and brand challenges from emerging markets, as they simultaneously re-structure the marketing business model. All this, plus these same executives, have even more pressure to deliver profits to their shareholders.

But, success in emerging markets is definitely possible. As an example, here's how a global OTC manufacturer succeeded in China:

- **Get the right distribution.** The company took a holistic approach to China – they searched the market for distribution channels where their OTC product would avoid direct competition with established Chinese medications.
- **Differentiate a commodity product.** Taking advantage of years of research and bona fide medical testing in Western medical journals, the company created a powerful medical reason to use this product – and priced it below its competitive set.
- **Model a portable, radical and cost efficient emerging markets strategy.** Management realized a classic advertising campaign just wouldn't work – insufficient budget to generate enough impressions to create demand. A "blue sky" planning structure led to the development of a "Content Marketing" plan. This plan showcased the product's benefits in a series of medical documentaries that delivered a message of product legitimacy and efficacy. Media accepted the documentaries as programming. Demand was generated, because the documentaries delivered an extraordinarily positive and very legitimate image. To augment the documentary the manufacturer used a multi-level media platform (TV, DVD, Web casts, Cable) to reach the broader target audiences and a vertical promotional or onsite-merchandising program executed locally.

Because no one – not even the local brand – was focused on the medical angle this critical decision paid off handsomely in greater margins, brand loyalty and a wider acceptance as the cost effective alternative for preventative health care. A new brand model was created in China that became portable enough to apply it to other emerging markets.

*Report written by  
Stephan Bassett  
iCEO #18178, USA Based*

---

Find us on the Web:  
[www.ceo-europe.com](http://www.ceo-europe.com)

+33 (0)147 701 998

---



In the “water balloon world,” marketing management can no longer just defend its local market share – because all local markets are influenced by access to technology, which shapes consumer or business demand worldwide – in a “water balloon world” squeeze one part and another part expands. Brand managers, CMOs and especially CEOs must recognize home markets are indefensible without an active and aggressive emerging markets business strategy. CEOs especially should demand their marketing departments prepare preemptive strategies designed to challenge emerging market competitors in their own markets – if this isn’t part of your strategy you’ll soon see emerging market brands in your local home market.

Consider four strategic guideposts as you initiate an emerging market strategy:

1. **Demonstrate commitment** to local competitors and government leaders by placing a senior, decision maker in the market, especially in big Asian markets like China or India.
2. **Attend, or if budgets permit, consider sponsoring major events** such as APEC, Asian CEO Forum, Asia Leadership Forum or BOAO Forum. Consider speaking – an effective, dynamic and accessible leader speaking at these conferences will open many doors in government, channels of distribution and banks. These events offer access to business and government leaders that perhaps would otherwise never occur.
3. **Follow the competition – very carefully.** See how they are developing their business. Think long term – focus on bottling up local brands, interfere with their marketing plans to enter your home market. Consider forming Joint Ventures with local brands capture revenue in fresh channels.
4. **Hire a powerful, brand oriented local ad agency.** It’s best to select one with local media partners that can guide you through the maze of media options. Creative executions will be irrelevant if they don’t reach targets in a powerful way. A key selection criteria must be the agency’s willingness to develop “blue sky” ideas to build your brand. Forget thirty second commercials, look for something totally out of the ordinary.

With a 90% expansion in three years, emerging markets can not be ignored. China, India and Brazil’s economies are adding millions of new consumers. CMOs and CEOs must focus strategic resources toward emerging markets. If not, global brands will be faced with hundreds of emerging market competitors in their home markets. When that happens, it’ll be too late to think about how to beat back emerging market competition.

Report written by  
Stephan Bassett  
iCEO #18178, USA Based

Find us on the Web:  
[www.ceo-europe.com](http://www.ceo-europe.com)

+33 (0)147 701 998



**About the Author:** Stephan Bassett specializes in growing, or turning around, businesses, products and brands, particularly in emerging economies. He does this by expanding market presence and profits for firms needing to rapidly raise sales volume, fatten margins and increase cash flow to survive in highly competitive market sectors - North America, Asia (China) and Eastern Europe. His focus is to identify then implement the best ways to generate organic growth using innovative product development, repositioning and marketing.