

A New Dawn: The Sun Rises in the East

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+ As consumer attitudes shift, the desirability of Western brands as a conspicuous display of social, economic or cultural progression will dissolve.

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There are exciting times afoot for the world of brands. Whether you are a global brand with an existing presence in Eastern marketplaces, a dynamic, growing brand that is looking to globalise in the near future or a small Eastern manufacturer looking to build a brand—this white paper is a wake-up call—a nudge to acknowledge the emergence of a new landscape for brands in the East.

As it stands, the proportion of the world's population located in Asia is a mammoth 60 percent. Within this diverse and evolving continent, two countries stand out: China and India. When we mention 'The East', we're alluding predominantly to these two powerhouses of Eastern economic potential.

The baffling and somewhat inconceivable reality is that if you combine the populations of North America and Europe, numbers in Asia would still be four times as great. Even with the entire population of Africa joining the mix, Asia would still prevail at a ratio of 2:1.

And the figures don't stop there. While most developed economies have clawed their way through the toughest economic climate in a century, China saw GDP growth of 8.5 percent, (*Financial Times*), and this growth rate is expected to continue. According to Goldman Sachs, by 2050 the combined nominal GDP of China and India will be an estimated \$1.1 trillion United States (U.S.) dollars. In fact, China's GDP alone is predicted to be greater than that of the U.S. and Europe combined—truly astonishing. Eastern markets like China and India are quickly becoming dominant, global economic forces. The economic landscape has fundamentally changed; the latent opportunity is there for all to see. Recognising the importance of creating brands will catalyse this dormant opportunity, bringing this massive marketplace to life. To achieve this, there are three key steps that Eastern manufacturers must follow to evolve into powerful brands.

1. Leverage competitive advantages

The East, particularly China and India, are economies driven by their manufacturing skills, and this has been the source of their economic explosion and sustained growth. Why? First, the vast, driven and highly skilled workforce is at their fingertips; and second, at the heart of Eastern manufacturing economies are the latest technologies.

The technological and manufacturing resources in the East are already being harnessed by global brands. Dell, for example, currently spends an estimated \$25 billion (U.S.) on components from China, and Chief Executive Officer, Michael S. Dell, believes India is poised to become a technology manufacturing centre. Products and components manufactured in the East sit at the top of the quality ladder, and the bottom of the price point.

However, Eastern strengths in global manufacturing have been largely focused on the production of components—'ingredients' for other brands. What will happen when these manufacturers realise the power of branding? What will happen when these manufacturers become brands themselves, not only producing components for other global brands, but harnessing their own manufacturing prowess, technological leadership and skilled workforce to create powerful consumer brands? The answer is simple, but powerful: the East will begin to produce branded products that are high in quality and low in cost—prime factors for creating a very competitive marketplace.

2. Recognise a continual change in the consumer landscape and mindset

If the emergence of Eastern brands acts as the catalyst for change, the burgeoning middle class will fuel its success since it's apparent that the middle class is the consumer base with the real spending power. They are the powerhouses of a consumer driven economy. Here are some proven facts.

In China, the middle class now represents 23 percent of its demographic structure. This figure is rising by 1 percent each year (*China Daily*). If this growth is sustained over the next 10 years, China's middle classes will reach 33 percent. That's just under 500 million Chinese middle class consumers by 2020, itching to spend. In India, we see a similar story.

Moreover, we believe there will be a complete shift in consumer attitudes. The desirability of Western brands as a conspicuous display of social, economic or cultural progression will dissolve. In its place will be an increase of pride in the incredible achievements, global competitiveness and rapid advances that have characterised so many Eastern economies. The Eastern middle class will look for brands which acknowledge and reflect these social changes and communicate a clear and compelling story rooted in Eastern heritage.

3. Be proud of and confident in your heritage and provenance

Brands born in Eastern markets must begin to capitalise on a clear heritage and resonance that differentiates from global competitors.

Eastern brands will have a natural competitive advantage in being locally relevant—not only in terms of consumer, regional and cultural understanding—but also because their brands will have been born in the East. Their brand strategies need not be stretched, flexed or strained to be perceived as locally relevant.

Ultimately, we will see an exponential growth in the emergence of Eastern brands. The East is already gathering immense momentum, but it's only in second gear. Eastern brands will spring up, and the acceleration will be fast, efficient and effective. A growing understanding of the value embedded within creating and building strong brands will act as the catalyst.

But we are not just excited for Eastern businesses. With the right approach to Eastern markets, the next decade will also be a period of immense opportunity for global brands.

A Gentle Nudge for Global Brands in Eastern Markets

Global brands have tended to see the East as a geographical area rife with opportunity. A growing marketplace to introduce Western-loved brands to 'developing' areas where consumers will yearn to buy into a borrowed Western culture that displays social progressiveness. Traditionally, many have perceived the East as a manufacturing haven to harness the benefits of cheap labour, a massive workforce and technological prowess.

Of course, given the forecasted growth in Eastern populations, their swelling middle classes and their increasing economic dominance, the reality is—to be a truly global

brand—success in the East is crucial. However, we believe the key will be for global brands to completely re-think this traditional mindset in approaching Eastern markets, and to realise that the landscape will fundamentally change if (or should we say when) the East realises the importance of creating great brands.

Recognition, Resistance, Relevance

To “future-proof” your global brand against Eastern competitors, keep these thoughts in mind:

1. Recognise

In the short-term, if nothing else, recognise that the rise of the Eastern brand is virtually inevitable. Recognise that it may be necessary to rethink the approach to global brand executions in Eastern markets. Recognise that this is incredibly exciting, and a great opportunity. Recognise that being ‘global’ will become less and less important, as buying ‘global’ becomes less and less important for Eastern consumers.

2. Resist temptation

Given the baffling population figures, it would be very tempting to continue to look at Eastern markets purely from a numbers perspective. We believe this is the wrong approach. Instead, realise that long-term success can be built through smaller, highly targeted, niche groups of consumers. Don’t go after the ‘mass’ market. Given the ever-increasing population figures—and middle classes in particular—remember that niche groups of consumers will not necessarily be small in volume; the size of the prize will still be significant.

3. Be relevant

The East is an incredibly diverse and complicated melange of cultures, languages, traditions and people. The most important starting point for any global brand in an Eastern marketplace will be to thoroughly understand the market, including the consumers, the competitors and the cultural nuances. But don’t just know the market—use it. Weave it into your strategic thinking, apply it. Ensure that the brand—despite being global—has clearly and simply communicated local relevance.

Over the years, Western brands have adopted a local approach in Eastern markets. Starbucks’ introduction of Chinese tea and McDonalds’ chilli garlic dipping sauce and red bean pies show an appreciation of local demand and tastes. However, these are flexes—slight tweaks to an end-of-line product or service execution. Long lasting, competitive relevance must be built from within, and it should be incorporated into the core brand strategies: building a local heritage story will be key.

Conclusion

In perhaps just 10 years time, the landscape of Eastern marketplaces will fundamentally change. When Eastern companies realise the importance of being not only great manufacturers, but also great brands, we think amazing things will happen. Through increased investment in branding, valuable and highly desirable Eastern brands will emerge—competing with their global counterparts. Their competitiveness will evolve through the communication of their genuine Eastern heritage, coupled with an ability to align with local, regional and national cultural and consumer nuances. Their very brand platforms will be credibly born from within these Eastern markets—a powerful source of competitive advantage.

Market leading manufacturers will become market leading brands. This is a very exciting prospect. However, for global brands it will mean re-examining the way in which they approach the Eastern environment. It's not going to be a smooth ride, but as long as global brands recognise this; as long as they resist the temptation to go after the mass market consumer; and as long as they ensure clear and ownable relevance in specific Eastern markets, then the opportunities are boundless.

As they say, the sun always rises in the East.

Authors

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