

New jewels in the crown

Recently, the iDi Marketers Forum was held in conjunction with the USA DMA's Digital Marketing Days or 'The Conference formerly known as DM Days New York'.

As is the habit for the iDi, an excellent group of international speakers was assembled offering practical information on a wide array of key topics. Plus, there was the all-important opportunity for networking, both during and after hours.

My session dealt with the practicalities of entering the China market and how it can be done at low cost and risk. Or whether it should even be attempted in these times, as headlines indicate China is becoming more protectionist and favouring its domestic companies over foreign.

But the Chinese consumer isn't listening as attentively as its government may like and the consumer thirst for global products increases.

Consumer spending in India has risen 75 per cent in the past four years.

That brings to mind a larger question, which is: Are there ways for small to medium-sized companies (SMEs), to venture into the booming emerging markets where the effects of the global recession seem to be receding the quickest?

A different story

The Financial Times reported recently: "While (consumer) demand has been sluggish in the developed world, emerging markets - in particular China, India and Brazil - are telling a very different story, with consumer spending still buoyant the pattern of spending around the world shifts away from the US and Europe to China, India and Brazil."

With 700 million mobile phone users and nearly 400 million Internet users, China may be the jewel in the crown. In the first 11 months of 2009, retail sales in China exceeded US\$ 1.6 trillion, up 15.3 per cent from a year ago. In November, auto sales reached 1.34 million units, bringing the total sales from January to November to 12.23 million, up 42.39 per cent year-on-year, according to the China Association of Automobile Manufacturers.

Perhaps the Indian consumer may be even easier to reach, with English being universal and rule of law well established. The Indian retail market, being the fifth largest retail destination globally, has been ranked as the most attractive emerging market for investment in the retail sector by AT Kearney's eighth annual Global Retail Development Index (GRDI), in 2009.

With rising consumer demand and greater disposable income (consumer spending has

risen 75 per cent in the past four years), the Indian retail sector is showing an annual growth rate of 30 per cent. It is projected to grow to US\$ 700 billion this year, according to a report by global consultancy Northbridge Capital.

A McKinsey report, 'The rise of Indian Consumer Markets', estimates that the Indian consumer market is likely to grow four times by 2025.

India's overall retail sector is expected to reach US\$833 billion by 2013 and US\$1.3 trillion by 2018, at a compound annual growth rate (CAGR) of ten per cent. Consumer spending has risen sharply as the youth population (more than 33 per cent of the country is below the age of 15) has seen a significant increase in its disposable income.

Signs of strong recovery

Latin America has Brazil and Mexico leading the way but many of the secondary markets are showing signs of a strong recovery and access to data and DM services abound in countries like Argentina, Chile, Peru, Colombia and Venezuela. Business Monitor International reports that retail sales in 2009 amounted to an estimated US\$1.27 trillion. Total consumer spending for the region was US\$3.38 trillion. Mexico and Brazil together accounted for an estimated 63.2 per cent of regional retail sales in 2009. Their combined share is expected to rise to 64.8 per cent by 2014. For Brazil, the estimated 2009 market share of 32.7 per cent is expected to rise to 34.2 per cent by 2014.

So what holds SMEs back from more actively testing these maturing and thriving consumer

DOUG SACKS brings clear insight into emerging markets which he says are now ripe for small and medium-sized businesses to explore.

markets? Partially, it has been a lack of access to the type of information and services marketers rely upon. Or, not knowing which vendors and partners could be trusted.

Also, the start-up costs have been high, even for doing basic background research and reconnaissance. Or, the belief that to capture market share it needed to be done quickly, through an alliance or buy-out of a local partner.

But the growth of mobile phones and the Internet, along with improvements in mail delivery and access to quality data sources, have given direct marketers an opportunity previously available only to the multi-nationals.

And what if that data, information and DM services can be made available and packaged as a turn-key service and testing can be done efficiently at a reasonable cost?

What if reliable vendors could be found and vetted and organised for these companies?

What if this could all be arranged domestically, in the same time zone so company personnel isn't commuting half-way around the world every fiscal quarter?

Would more marketers try?

Granted, each market or region presents its own set of opportunities, challenges and consumer preferences and will need a customised approach:

China:

Access to consumer and response data has been limited. The majority has been compiled lists, originating from public records. But lifestyle data has not been unknown or unavailable and is growing. Response rates have always

been high (often eight per cent). But undeliverable mail has also been unacceptably high (25 per cent). Now, with improvements in addressing, undeliverable mail can be dramatically reduced. Unaddressed mail is no longer the order of the day. 'Occupant' can be replaced with an individual's name. Language is still an issue, of course.

India:

Has no language barrier, as English is universal, although certain marketing in Hindi may be advisable. Response, mail order and catalogue buyer data is available. Bank card insert programmes have proven highly responsive, low-cost and manageable. Newspaper loose inserts are also effective. Customs/duty considerations are key here, however, and are reviewed on a case-by-case basis. Printing, lettershop and fulfillment services are all available at excellent rates.

Latin America:

Once considered a data 'black hole', is now fully accessible with a full array of response files, not just compiled along with many lifestyle preferences. Response rates are high. List costs have also been high for the best data but can be negotiated effectively. Live event marketing is flourishing which offers opportunities for brand building, consumer surveys and sampling. Catalogue marketing has been severely under-exploited due to strong inflationary spirals in decades past. Newspaper and DRTV filled this vacuum as prices could be changed daily or weekly as needed. With inflation under control in most countries now, catalogues should test this market. Postal services vary

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from country to country with many 'correos' offering excellent service. Where needed, private couriers which thrive in Latin America can be tested efficiently and at reasonable costs.

The question remains

Is there a need or desire by small and medium-sized businesses to test and expand into these markets?

If there is, I'd like to know about it.

I think it is a natural and necessary evolution for direct marketers on both sides of the Atlantic.

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