So You Think You Understand Emerging Markets?

By Amitava Chattopadhyay , The GlaxoSmithKline Chaired Professor in Corporate Innovation and Founder & Programme Director, Market Entry Strategy for India

Given the immense diversity and complexity of countries like India, it's better to approach them as continents. Traditional assumptions about product development and segmentation should be left at the door.

Edible oils constitute one of the most important components of food expenditure in Indian households. Used mainly for cooking and frying, India is the world's third largest consumer, accounting for 16 percent of the country's imports.

The myriad different uses of edible oil in India also reflect a multitude of different regional preferences and habits. For example, soybean oil is mainly used in Northern and central parts of India due to the availability of soybeans locally. Mustard oil is mainly consumed in North-eastern and Eastern regions of India as its pungency is desired, particularly for seafood. Palm oil dominates Southern India due to the warmer climate and sunflower oil is popular amongst the affluent classes.

In addition to regional preferences, the volume of consumption also differs markedly. In the North, food preparation is more elaborate during the weekends and oil consumption is heavier, especially in winter. In the West, due to a mixture of oily/heavy items as well as simple items, oil consumption is moderate, while in the East, primarily rice diets mean less consumption compared to the North. In the South, main meals are also less oil-dependent. Adding the vast differences in income across all regions and the multitude of castes, language, dress, forms of worship and kinship and mixture of rural and urban residents, the market is complex to say the least.

Imagine being a provider of edible oils in such a country!

Greasy business

In a recent **case study** based on the experiences of a global food and agriculture company, which we'll call Healthy Oils, we can see the kind of considerations business leaders have to make in approaching emerging markets such as India.

Healthy Oils is no minnow. Ranking among the world's top 100 companies, Healthy Oils is an international producer and marketer of food and related products with over 100,000 people located in over 50 countries. It started out selling packaged vegetable oil in India in the 1990s. By 2011, Healthy Oils had a portfolio of four packaged oils as well as other products.

But the company was at a crossroads in 2012. Rehaan Roy, chief marketing officer of Healthy Oils India, had commissioned a study to see how it was faring in the Indian consumer market, but the report did not paint an encouraging picture. While Healthy Oils' four offerings in the market were recognised by consumers looking for cooking oil, they were not in the top five in terms of brand awareness, nor were they top choice in the "most often used" category. Having spent a considerable amount acquiring a suite of edible oils from other market players and with the multi-brand strategy being to move from a bulk business to a consumer-facing retail business, Healthy Oils products remained second tier consumer offerings.

Roy had a lot of questions to consider, such as who were the target consumers for each of their brands? In which category did Healthy Oils' strength lie? What would drive them to the Healthy Oils categories? And what should the brand promise and marketing strategy be?

Leave your assumptions at the door

As I will soon be teaching in a new executive development programme, **Market Entry Strategy for India**, such conundrums require a new framework of consideration. Executives can often apply tried and tested models and assumptions, or at least some assumptions, when expanding across borders. But the complexity of entering India is akin to entering a continent, not just a country. Even edible oil is not homogenous.

Cereal brand Kellogg's learned this lesson to its peril in 1995 when its products were made available nationally after first entering the market in Mumbai in 1994. Kellogg's initial offerings in India included cornflakes, wheat flakes and basmati rice flakes. But despite a whirlwind of public relations activity and the full backing of its management, the products failed to make a dent in the Indian market. Indians weren't used to the packaged and processed offerings. They also had a traditional habit of boiling milk and consuming it warm, which gave Kellogg flakes an odd taste. Consumers were also extremely price sensitive and Kellogg's was up against the wide availability of low-priced traditional breakfasts. Negative media coverage about the taste of the products also stung Kellogg's and sales stagnated. Much like Healthy Oils, Kellogg's hadn't thought about segmentation and it made the mistake of focusing only on the premium and mid-level retail stores. With 80 percent of Indians living in villages outside of the big cities, it was missing a huge opportunity.

Only after Kellogg's introduced multiple products and put out a wider array of packaging sizes to cater to different consumer groups did it start to make progress. It also made its packaging less elaborate which allowed it to bring down price, another consumer purchase hurdle.

Product adherence can be one of the biggest challenges in the Indian market, as this humorous **HSBC advertisement** shows with a drinks vendor mixing lassi in a washing machine.

Framing the challenge

There is no one-size-fits-all solution to adapting your products or services to emerging markets like India. But the following steps can at least help to frame the problem, and hopefully, the solution.

1. Awareness – Adapt communication means to local conditions and tastes, such as using street theatre, radio drama, or health camps to capture the attention of the target group and provide an interesting way for them to get information and gain knowledge. Consider leveraging local partners to create awareness.

2. Appeal – Make the product acceptable to the target market by understanding the living conditions and constraints faced by them on a daily basis, including the group's beliefs, habits, social norms and cultural traditions; and adapting the product to meet the low-income consumer's requirements or infrastructure constraints like lack of clean water, for example, in terms of formulation, size and packaging.

3. Affordability – Adjust pricing to make products affordable to low-income consumers or make available financing mechanisms to the target group through micro-finance etc…

4. Availability – Make the product physically available close to the target consumer by working with local partners or taking advantage of existing distribution channels of partners for the "last mile" of distribution; and more importantly, make sure the consumer gets the right product through proper training of staff.

5. Alliances – Work with partners in private and public sectors (locals, regulators, NGOs) that can help deepen understanding of the market, facilitate operations, build awareness, enable availability by opening up distribution channels, and help with affordability by providing financing options.

6. Adherence – Make compliance easy, in the case of pharmaceutical companies, as too complicated a drug regime can make it difficult for low-income consumers to adhere to medicine-taking, for example, too many times a day, too many pills to take etc. due to lack of education or lack of facilities like clean water.

My ultimate advice is to get to know the market and the consumer up close, not on a spreadsheet or a PowerPoint slide deck. I take my executive students to have tea with consumers in their homes, get to know distributors, legal firms and research firms to understand not just the complexity of India, but also the constraints the consumers face and how you can unlock their potential loyalty. Being present is only half the battle, being engaged is the rest.

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