**SCHOOL OF ECONOMICS
AND MANAGEMENT**
Lund University

The Consumer as Barrier
vs.
The Consumer as Partner

- Regarding managers' perceptions of underserved consumers
in emerging markets

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Abstract

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Key words: Perceptions, globalisation, emerging markets, branding, consumers

Thesis purpose: First objective: To bring forward managers' perceptions of the underserved consumers in emerging markets. Second objective: To reveal what implications managers' perceptions of underserved consumers in emerging markets provide for branding in these markets.

Methodology: The research has been applied with the social constructionist view in mind within the epistemology of science with an iterative approach. The empirical data has mainly been assembled through qualitative interviews with managers and experts.

Theoretical perspective: The empiricism is founded on and analysed using our theoretical frame of reference. Based on this we have constructed a graph based on Prahalad's (2005) work. The graph consists of four cornerstones; *globalisation*, *emerging markets* and *branding*, and how these relate to managers' perceptions regarding *consumers* – the fourth cornerstone.

Empirical data: The participating brands; Tena, Libero, Libresse, Orkla Foods. The Swedish Trade Councils in Hungary and Latvia.

Conclusion: Our study indicates that managers' perceptions are still lacking consumer insights within five elements (*value, loyalty, purchasing power, consumers* and *consumption*).

Hence, we identified that the mindset of managers is focused to short-term gains rather than viewed from a long-term perspective. We believe that managers today possess an old mindset (e.g. short-term, passive, consumer as barrier), whereas managers should engage in a new mindset (e.g. long-term, proactive, consumer as partner) in order to become successful.

Foreword

We would like to introduce this thesis by thanking a few people.

First of all we would like to thank all participating managers and experts. Thank you for your time and participation in our research. We would like to express a special thank you to Bengt Eriksson, Category brand manager for Tena. It is rare to find a company representative that finds the time to support two students in their Master thesis work and is enthusiastic to help. Our deepest gratitude to you for your time and patience.

Lastly, we would like to thank our advisors Ulf Elg and Veronika Tarnovskaya for support and guidance.

Lund, 29th of May 2006

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Contents

1. Introduction

In this chapter we will provide the reader with the background of our research problem which leads down to the purpose of this study. We also give an account for the chosen perspective and delimitation of this thesis.

"Low-income markets present a prodigious opportunity for the world's wealthiest companies – to seek their fortunes and bring prosperity to the aspiring poor."

(Prahalad and Hart, 2002, p.1)

1.1. Background

As with many of the emerging markets, trade and investment have opened up relatively recently, offering new opportunities for companies to grow (Prahalad and Hart, 2002). The economic stagnation and demographical changes in the Western world have lead multinational corporations (MNCs) to establish their businesses within emerging markets (Nakata and Sivakumar, 1998) as these markets can offer a larger population base and thus, a pool of new consumers. The extended consumer base entails the four billion people who today are underserved and lack products of high quality (Prahalad and Hart, 2002)

India, China, Brazil, South Africa, the Czech Republic and Hungary are a few nations that are frequently mentioned as "emerging markets" (Nakata and Sivakumar, 1997). To find out what is characteristic for these and other emerging markets there are several definitions to choose from (see e.g. Rahman and Bhattacharyya, 2003; Nakata and Sivakumar, 1998). In this thesis we will use a combination of two definitions which are presented below. Czinkota and Ronkainen (1997) argue that emerging economies are associated with three characteristics; level of economic growth, market governance and economic development. To measure a country's *economic growth*, the nation's Gross Domestic Product (GDP) rate is generally used as a measurement tool. The measure of *market governance* revolves around to what extent activities occur on a free market. It also includes the level of governmental control in terms of resources and the stability of the market system (Alon et al, 2006).

GDP is also a measure for assessing *the level of economic development* which is connected to the wealth of the population, development of industry and the size of the middle class (Alon and McKee, 1999). However, when classifying nations in terms of GDP per capita three acknowledged emerging markets (China, Vietnam and India) are not defined as such as they are placed in the lowest income category (Alon et al, 2006). Rahman and Bhattacharyya (2003) therefore propose that another set of tests for determining when a nation is to be defined as an emerging market:

1. The nation promises significant future economic growth.
2. The economy of the nation recently opened, thus, direct foreign investment is possible. The process of liberalising trade will maintain in the future.

3. The nation can provide an institutional infrastructure, enabling marketing transactions, although the effectiveness of this infrastructure is not reaching up to the infrastructure of developed markets.

As stated above, emerging markets are by many companies viewed as "promised land", where economic growth and increased profits await (Nakata and Sivakumar, 1998). For example, many of the emerging markets showed growth rates exceeding five percent between the years 1990 and 1997 (Alon et al, 2006). Furthermore, prospects are revealing that several emerging markets, such as China and South Korea, will be ranked among the ten wealthiest nations in 2020 (Keegan and Green, 1997 in Nakata and Sivakumar, 1998).

Along with the opportunities and potential of emerging markets, there are risks involved for firms entering these markets. Instability in terms of political risks and uncertainty in the business environment pose a few potential risks (Nakata and Sivakumar, 1998). The financial crises in East Asia and Russia in the late 1990s are illustrations of the economic volatility of emerging markets and lack of economic sustainability (Alon et al, 2006). Furthermore, consumers' poor health, illiteracy and the lack of social security are other issues that MNCs are encountering in emerging markets. Commercial activities are further challenged due to insufficient infrastructure, water supplies and electricity (Nakata and Sivakumar, 1998).

Entry into emerging markets is an issue that also raises critical voices in terms of the role of MNCs and their actions in these countries. Klein's (2000) criticism points at poor work place conditions in factories in Asia which are contracted by MNCs. It is being reported that workers are required to work under rules that prohibit them from taking breaks or form unions. Additionally, competition from other factories results in wages that are so low that the workers barely have sufficient wages to cover their living costs. Thereby, there are no earnings left to afford other goods and, hence, there is insufficient stimulation of the local economy (Klein, 2000).

Prahalad and Hammond (2002) claim that the real exploitation of poor communities occurs through unorganised systems connected to inefficiencies that middlemen currently are taking advantage of. Firms, such as banks and financial businesses, which can reduce those inefficiencies through organisation, information technology and logistics, can turn around the situation in emerging markets (Prahalad and Hammond, 2002). Prahalad and Hammond (2002) argue that involvement of MNCs could supplement the aid from other organisations and the development of governance by improving lives and developing the markets as a result of job creation and policy reforms.

More responsibility should however be put on MNCs, encouraging them to do their share in helping developing countries to avoid mistakes of e.g. environmental character committed by developed nations (Prahalad and Hart, 2002). Korten (1996) suggests that in order to achieve sustainable development, priorities must target the protection of the eco system and a division of natural resources that ensures that all people have their physical needs accounted for and have the ability to develop themselves.

Despite the need for a long-term focus in emerging markets it is our impression that current research is merely touching upon the short-term perspective when entering emerging markets. The importance of thinking long-term is further elaborated upon by Prahalad and Hammond (2002) who propose two scenarios for the evolution of the global market in the years to come where there is a choice between acting with a short- or long-term direction in mind. The first

alternative is to target a smaller group of consumers that have sufficient income to afford international brands and who can offer MNCs a short-term solution to recover from economic stagnation. The consequences of this alternative impose that growth will be slow, that there will be a widening gap between the rich and the poor and that the risks of being exposed to political instability and terrorism will increase (Prahalad and Hammond, 2002).

The second scenario offers a market where MNCs should strive for reaching the potential consumers who are accounted for being the poorest and where private investment is brought into global markets (Prahalad and Hammond, 2002). These potential consumers constitute four billion people who lack good quality products. Therefore, it can be argued that there is a huge market for new innovations that can be both profitable for companies but also contribute to improving life for the poorest (Prahalad and Hart, 2002). Hence, there is a synergy between what MNCs need for growing their businesses and what poor people lack for improving their situation. Companies that see these opportunities and which are prepared to lead the way can build a competitive advantage that will be important for the future (Prahalad and Hammond, 2002). Therefore, in order to build long-term profitability and a sustainable development of the emerging markets MNCs must consider finding new business opportunities such as serving the world's poor (Prahalad, 2005).

Prahalad (2005) argues that we must change our view of people in developing countries as merely "the poor". To bring about change we must become aware of the meanings of loaded implications and history in this classification and begin viewing "the poor" as *underserved consumers*. This process requires both respect for the individual and a change of mindset towards understanding who the underserved consumer is and what opportunities are encompassed in serving these consumers (Prahalad, 2005).

> *What is needed is a better approach to help the poor, an approach that involves partnering with them to innovate and achieve sustainable win-win scenarios where the poor are actively engaged and, at the same time, the companies providing products and services to them are profitable.*
>
> (Prahalad, 2005, p. 3)

Prahalad and Hart (2002) mean that MNCs are trapped in thinking that the poorest people of emerging markets can not afford their products or will not pay for new technology; simply, that the profit potential is not there. The challenge for MNCs is to find an opening to combining low cost with good quality, profitability and sustainability. Hence, it is possible to capitalise on the market of underserved consumers if profit is founded upon capital efficiency and volume. The key is to focus on innovation and adjustments to local conditions (Prahalad and Hart 2002). In order to do so, companies not only need to understand the consumer, but change a mindset, from being firm-centric towards co-creation of value with the consumer, establishing a win-win situation (Prahalad interviewed by Dearlove, 2004).

Today, the MNCs are generally targeting consumers in the middle and upper classes of emerging markets. Thus, many MNCs are already operating in these markets; however, immediate success is not necessarily the reality when targeting consumers with low purchasing power. Some of the world's most well-known brands have taken the step into several emerging markets, realising the difficulties of gaining market share (Keller and Moorthi, 2003). Coca Cola has been struggling in the Indian market and has had to face high losses due to the company's misreading of consumers and overestimation of market. This has led to mistakes in positioning Coca Cola which required the company to rethink its way of

conducting business in India. For instance, Coca Cola introduced new marketing campaigns featuring Bollywood actors and also launched a smaller sized bottle for consumers in rural areas with lower incomes. The changes meant that Coca Cola was forced to break its own traditions and rules to satisfy the wants of consumers (Kripalani and Clifford, 2003).

The Coca Cola story above illustrates the difficulties of trying to create one, global brand. Aaker and Joachimsthaler (1999) mean that having one brand which is the same in most respects all over the world in terms of e.g. positioning, personality and advertising can indeed create benefits such as economies of scale. Despite the temptation of potential advantages, creating global brands is a dangerous task as such an attempt may not be suitable for all markets. The image of a brand can differ between markets whereby a global positioning strategy will not be feasible (Aaker and Joachimsthaler, 1999). However, for a company to optimise its positioning it needs to understand the consumers and where they can be found in addition to the environment in which the brand will act (A.T. Kearney, 2003).

Kumar (2003) emphasises the importance of taking cultural dimensions into account when entering an emerging market such as e.g. India. Advertising must appeal to consumers through a context which consumers are familiar with. In India, snacking is a common behaviour that is rooted in tradition whereby there is an opportunity for Western food brands to link their own food product to snacking, even though the traditional use of the product in other markets is different (Kumar, 2003). Kumar's (2003) point is that Western brands should not aim for a position where Western products are substitutes for existing offerings, at least not as far as food and beverages are concerned. Innovation and creativity are crucial elements in branding where the offering should aim at finding a position where the new product is perceived as belonging to an existing category of products (Kumar, 2003)

Furthermore, consumers' perceptions of brands are transforming in some emerging markets, such as Russia. The norm used to be that Western brands were good while domestic brands were not; however, this perspective is now changing. Successful Russian companies have realised the value of bringing the national heritage into offering brands with names such as *Soviet jeans*. In addition, the consumers have learned fast about consumption and increased their expectations, demanding quality products and rewards for staying loyal. The challenge for all corporations is to keep up with the demands and keep consumers interested (Anonymous, 2005).

According to Prahalad and Lieberthal (1998) MNCs are likely to overestimate the degree to which emerging markets have become accustomed to the way of living of the Western world. Companies therefore see themselves in a situation where too much faith has been put into their brands and where their worldwide image and brand management methods are no longer useful to target consumers (Prahalad and Lieberthal, 1998). In order to reach the desired growth through targeting those with the lowest purchasing power by various means of branding, the most crucial barrier to overcome is for managers to face their own perceptions of consumers in emerging markets. Managers or people in e.g. sales or engineering all need to develop an understanding and embrace the opportunities of emerging markets in order to be comfortable to work towards, and with, these markets. Hence, long-term success in emerging markets is unlikely before companies have challenged their own perceptions (Prahalad and Hammond, 2002).

After reviewing literature and articles we have found that there is an evident lack of research concerning the perceptions of managers and the impact of perceptions on how branding is

applied in emerging markets. Prahalad (2005) and Prahalad and Hammond (2002) are a few researchers who mention the importance of challenging managers' perceptions regarding the emerging markets as well as the needs of consumers in these markets if success is to be achieved. However, their research is not focused to this area. In addition, we have also become aware of the fact that research in branding excludes perceptions of managers whereby we believe that we have identified a gap in current research (*Fig. 1*). In our view, the gap identified leads back to the consumer. We find that consumers are central in the gap as managers first must challenge their perceptions concerning underserved consumers (Prahalad, 2005; Prahalad and Hammond, 2002). Secondly, due to the fact that branding in emerging markets is difficult, as there is limited knowledge about how to reach the consumer (Prahalad and Lieberthal, 1998), we believe that it is important for managers to understand the underserved consumers in order to brand a product successfully in emerging markets.
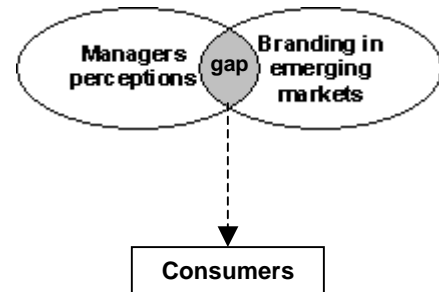
Fig. 1: Gap in current research

The reasoning above leads us to believe that regardless of what branding strategy a company may choose in an emerging market – to reach potential consumers with low purchasing power – must begin with those that are to carry that strategy through to the market. Those individuals are likely to be managers who in turn are individuals with their own perceptions of who the target consumer is. We believe that it is important to study the perceptions of managers as they are leading individuals and, thus, are key actors in terms of making decisions. We thereby find it likely to assume that branding by MNCs is inflicted by the perceptions managers have of consumers in emerging markets. However, the issue and potential importance of mangers' perceptions is ignored in contemporary international marketing research. What are the perceptions? How do these perceptions impact branding in emerging markets?

1.2. Research problem

We have chosen to focus this thesis to the following questions:

- What are managers' perceptions concerning underserved consumers in emerging markets?

- What implications do these perceptions provide for branding in emerging markets?

1.3. Purpose

The first objective of this thesis is to bring forward managers' perceptions of the underserved consumers in emerging markets.

A second objective is to reveal what implications managers' perceptions of underserved consumers in emerging markets provide for branding in these markets.

1.4. Perspective and Delimitations

This thesis will be written from a business perspective and will take the view of MNCs. The reason for this is our belief that perceptions have to be thoroughly understood in order to create a shift in managers' mindset concerning underserved consumers in emerging markets. Furthermore, as part of our purpose states, we believe that our findings can provide companies with implications of how to do branding in emerging markets and therefore, a business perspective suits our purpose.

To further narrow down the scope of the thesis we have chosen the following delimitation:

- Branding

Due to the vast spectrum of branding theory we have chosen to limit branding to include those aspects of branding concerning fast moving consumer goods, hence, product branding. Part of the branding literature used in this thesis concerns branding in general in order to provide the reader with an understanding of what branding is. This has been complemented by branding literature regarding branding within emerging markets.

1.5. Outline of the thesis

CHAPTER 1: In the introductory chapter we discuss the research problem and state the purpose of this thesis. Furthermore, the perspective and delimitations of this study are accounted for.

CHAPTER 2: Within the methodology chapter we review the research method and design that we have used and, in addition, discuss the advantages as well as criticise the choices made.

CHAPTER 3: In the theoretical chapter we build up our theoretical framework and introduce the theories that the structure is built upon. This will further act as a foundation when collecting empirical data.

CHAPTER 4: This chapter provides the reader with a presentation of the brands and organisations that participated in this study.

CHAPTER 5: This chapter is dedicated to a joint discussion of our empirical studies and analysis of data. There is also a summary provided of managers' perceptions.

CHAPTER 6: In this chapter we discuss the conclusions of this thesis. Further, managerial implications for branding within emerging markets and future research areas are accounted for.

2. Methodology

This section begins with an introduction of the chosen research approach. There is also a discussion regarding research design and the choices of gathering empirical data as well as the potential issues these can cause.

"(…) converting the poor into a market will require innovations."

(Prahalad, 2005, p. 100)

2.1. Methodological approach

As a part of the purpose of this thesis is to bring forward the perceptions that managers have of underserved consumers in emerging markets it was important to investigate people's thoughts and experiences concerning this subject via the medium of language. We found this necessary due to the fact that reality is constructed by people. As a result of our purpose, all data was collected and interpreted with the social constructionist philosophy in mind (Easterby-Smith et al., 2003) in regards to the epistemological position (Bryman and Bell, 2003). The epistemological position was chosen since one of the included statements within this approach is that knowledge is only of significance if the external reality is understood by observations. We then believed that the social constructionist view would complement the epistemological approach as people and not objective factors create reality through the social constructionist view. The social constructionist philosophy further aims at generating an understanding of the studied phenomenon (Easterby-Smith et al., 2003). We believed this was important for our thesis due to the fact that the amount of previous research within managers' perceptions was scarce. Furthermore, the reason for the chosen approach was to have an open mindset and focus upon how respondents value and interpret the social world in order to grasp an otherwise quite problematic and fragmented issue.

Another philosophy within social science research is the view of positivism. However, positivism is merely used when refining and extending what is already known and research is here based on objective data (Easterby-Smith et al., 2003). Hence, positivism would not be appropriate due to the nature of the research problem and the emphasis on understanding a situation, thereby, our gathering of data was subjective rather than objective (Easterby-Smith et al., 2003).

Our desire was to develop knowledge (Bryman and Bell, 2003) from several sources in order to assert a connection regarding managers' perceptions (Alvesson and Sköldberg, 1994). Hence, we had to closely examine empirical data and previous research in order to understand the problematic issues within our area of research, as our research problem was not clearly stated from the beginning. From the knowledge that was derived we created a theoretical background before collecting the empirical data we needed. The intention was to secure that the method applied was sufficient. As a result of our methodological reasoning, the chosen approach for this thesis could resemble the iterative. However, we did not interweave theory

and empiric data to the extent suggested by the iterative approach (Bryman and Bell, 2003). Nevertheless, we thought this research method would be helpful when collecting empirical data, as we wanted to stay open-minded. This was important for us due to a restricted amount of previous research within the areas of managers' perceptions and consumers in emerging markets. At the same time our aim was to create a foundation that would be of high relevance for the research analysis, which we thought this approach provided. Furthermore, Alvesson and Sköldberg (1994) state that most investigations have an iterative approach and that this method is most suitable when the aim is to generate understanding of the issue studied.

Alternative approaches would have been the deductive or the inductive approaches. However, we found that these approaches were not in line with neither our gathering of data, nor the purpose of the study. The process of the deductive method starts with theory, but this was not possible in this research as not much previous research could be found. Also, as the deductive approach focuses on hard data, this was not a method to consider either, as our purpose required a deeper investigation of opinions and thoughts around the subject (Easterby-Smith et al., 2003). The inductive approach on the other hand would not have been able to answer our research question, as we needed a theoretical foundation in order to collect relevant data (Bryman and Bell, 2003).

2.2. Research design

The choice of research design upon which this thesis was founded, has its roots within creating awareness and understanding of how managers perceive the underserved consumers within emerging markets. This aim required us to investigate questions such as "how" or "why" within a real-life setting. In order to achieve this we conducted interviews with managers and experts. Hence, our intention was to apply a handful of brands that were active within emerging markets and that had high representability as to single out the truly interesting aspects within our field of research (Lundahl and Skärvad, 1999).

2.2.1. A qualitative research strategy

With the aim of assembling managers' thoughts and experiences around our topic, this thesis was based upon a qualitative research strategy where the main tool for collecting data was through qualitative interviews. We believed that this was the most suitable strategy when the main medium of language was to be applied in order to interpret how the respondents construct the social reality and perceptions concerning the topic (Bryman and Bell, 2003). Hence, the questions asked were loosely structured (Easterby-Smith et al., 2003).

An alternative research strategy would have been to apply a quantitative method. As we wanted to investigate an in-depth understanding of the respondents' world, focusing upon perceptions rather than the collection of a wide range of objective results, this research strategy was not considered (Easterby-Smith et al., 2003). Furthermore, we did not think that a quantitative study would have revealed the perceptions of managers or how they construct reality. However, we were aware that a quantitative study alternative would have provided us with a larger sample size and the possibility to make distinct generalisations (Bryman and Bell, 2003).

2.2.2. Choice of industry

With the intention of creating a realistic and relevant study, we chose to conduct the qualitative research within a specific industry, namely; brands within the fast moving consumer goods (FMCG) sector. Our choice of industry was based on our own interest in combination with the fact that the amount of products and brands now available for the emerging markets have expanded rapidly since these markets opened up for trade and investment, which happened relatively recently (A.T. Kearney, 2003). Additionally, FMCG are products that more or less every person, independent of income level, can afford. Consequently, it would not have been realistic if we conducted this research about houses or cars, as underserved consumers spend their income on things they can get now, rather than saving up for the future (Prahalad and Hammond, 2002). Therefore, we believe that the FMCG industry is a realistic choice in order to answer the research question. Together, this provided the platform for our choice of business.

We focused upon a handful of FMCG brands that are established in emerging markets. This together with our intention of using typical and revelatory brands in our study made the choice of brands systematic based upon these criteria (Holme and Solvang, 1997). Furthermore, the choice of brands within a specific industry was a result of our urge to provide managers with implications for branding within emerging markets. Hence, we believe that these implications would differ across different industries.

2.3. Primary data

The main source of data for the study was primary data. The focal medium of collecting primary data in this thesis was through qualitative interviews. Below follows a discussion of the gathering of primary data.

2.3.1. Qualitative interviews

We decided to conduct qualitative interviews as we wanted to create a situation which resembled a normal conversation, close to an everyday occurrence, whereby we applied an informal discourse. The intention of this was to obtain insights which we otherwise would not have been able to collect if only asking specific questions in a more strict discussion. Furthermore, another advantage of this interview style was that the respondents were in charge of the interview direction as long as it was within the frame of what needed be discussed (Holme and Solvang, 1997). Hence, dialog-developing questions were applied rather than information seeking questions with the intention to stimulate the respondents to broaden their mind as to bring out their own thoughts and reasoning (Lundahl and Skärvad, 1999). We believed that this was the only approach we could use with the aim of seizing the respondents' own perceptions regarding the discussed areas.

In order to make the respondents talk about their own experiences in their own terms, interviews were loosely structured (Thompson et al., 1989), comparable to the semi-structured interview with open questions. The reason for conducting loosely structured interviews was to motivate the respondents to lead the dialogue, which we believed would enable us to attain insights concerning their perceptions that would be difficult to obtain otherwise (Bryman and

Bell, 2003). However, in our view, it was relevant to state a few questions in order to structure the dialog. Thereby we decided to use broadly defined grand-tour questions (McCracken, 1988), e.g. *can you tell us a bit about...?*, *how do you think...?*, or, *do you believe that...?* (Kvale, 1997).

Furthermore, this approach allowed us as interviewers the possibility to follow up on interesting traits discussed by the respondent in an unobtrusive mode (Östberg, 2003), which we did whenever we thought something the respondent was discussing was of high interest. At these occasions we either used probing questions, e.g. *can you say anything more about this*, or, *have you any other examples of this?* (Kvale, 1997). Additionally, we used interpretive questions with the intention to secure that we had interpreted the answer in the correct manner. Questions were therefore only reformulated answers, e.g. *so you mean that...?* (Kvale, 1997).

When conducting personal interviews it was vital for us to gain the respondents' trust as to get valid and reliable answers (Thompson et al., 1989; McCracken, 1988). In order to achieve trust, all interviews started with asking non-controversial background questions about the interviewee's background, with the intention to enable the respondent to open up by giving a longer background description (Lundahl and Skärvad, 1999), e.g. *can you tell us a bit about your business background?*. Following the background questions, the interview shifted to discuss the different themes. Here, we wanted to get an appreciation of how the respondents talked about their perceptions concerning the research subject in general and broad terms, where the grand-tour questions served its purpose well (McCracken, 1988). The following questions asked were designed after Kvale's (1997) suggestions, using follow-up, indirect and rendering questions, in order to get a nuanced outcome from the conversations.

All together we conducted six interviews; four with managers and two with experts. To achieve a satisfying sample size we used a method suggested by Kvale (1997), who claims that a qualitative interview study normally includes 15 +/- 10 interviews, depending on the resources and time that is at hand. Furthermore, the amount is also affected by the outcome from the respondents and the aim of the research. If the purpose is to create general knowledge, a few interviews are satisfactory. This is also true when in detail investigating a specific behaviour or the like and when the researcher wants to create logic for this association. However, quantitative research demands a much larger sample size, as it aims at creating generalisations (Kvale, 1997), which our investigation did not intend to do. Therefore, we believed that six interviews was within our capacity and suited our aim of creating a thorough understanding of a phenomenon and to create logic for this. We would not have been able to handle a large interview sample due to the limited time aspect of this thesis.

The interviews were partly conducted face-to-face, which we found important in order to enable interpretations of the respondents' body language. The intention of this was to study if the interviewee answered questions truthfully (Jacobsen, 2002). With the aim to make the respondent more comfortable during face-to-face interviews we tried to conduct the interviews in a more neutral setting. However, during one occasion we had to conduct the interview in a room which was assigned to us at that time, which may have had a negative impact on the interviewee in terms of how comfortable the person felt. We believe however that the introductory questions eased any potential anxiety experienced by the respondent.

In some of the cases interviews were not possible to conduct face-to-face since a few respondents were situated in a geographically distant location. Instead, we conducted telephone interviews with these respondents.

All interviews were conducted during one to one and a half hour each, where the telephone interviews were slightly shorter, approximately forty minutes. Long interviews were vital, as we wanted to gain a more profound understanding of the respondents' perceptions, which would not be possible during a shorter interview. However, we were aware that in-depth interviews only reveal what the respondent remembers, not how things actually are or were (Thompson et al., 1989). As we were interested in the respondents' own thoughts, the aim for them was not to be objective, as we thought this subjectivity would not harm the outcome of the research. This is further agreed upon by Holme and Solvang (1997) who state that is impossible to completely emancipate research from subjective reference frames.

All respondents agreed to let us tape-record all interviews, both those conducted face-to-face and via the telephone. Tape recorders were used in order not only to capture what the respondent said, but also how he or she said it (Bryman and Bell, 2003) and also to enable us to focus upon the subject and interview dynamics (Kvale, 1997). In addition, during the telephone interviews a speakerphone was used in order for both interviewers to pay careful attention to what was being said and to make tape-recording possible.

It was relatively time-consuming to translate the recorded material. However, we believed that we could produce more accurate understandings of the respondents' perceptions by using a tape recorder. At the same time we avoided inflicting our own beliefs upon the material. Recorded interviews were complemented by the fact that both authors were present during all interviews. In addition, one of us took notes as a precaution in case the tape recorder would break down (Ryen, 2004). After each interview we sat down and discussed the outcome of the interview and thereafter summarised everything said during the interview. The summary of each interview was sent to the respondent in order for him or her to double-check the validity of the interview discussion and prevent misinterpretations from occurring in the thesis.

2.3.1.1. Interviews with managers

The analysis of this thesis will partly be founded upon information focused on managers (Bryman and Bell, 2003). We interviewed two kinds of managers; brand managers and a manager responsible for a specific market. This combination of managers has been suitable for providing this research with both specific information of how to act with a brand outside the home market and also to create a more general knowledge base concerning a certain market.

Before we decided which companies to contact, we had our standpoint in our current knowledge of companies within the FMCG sector. Thereafter we used the Internet to state which markets these companies were currently active on in order to examine if they were established on any emerging markets. Hereafter, we contacted all companies of our interest to enquire regarding the possibilities of them participating in our study. Consequently, we based the main search for respondents via a criteria sample (Jacobsen, 2002). Although we combined this method with a snowball sample (Bryman and Bell, 2003) as one of the brand managers had contacts with other brand managers of interest for us.

The aim was to get an appreciation of managers' perceptions regarding underserved consumers within emerging markets. In order to obtain this knowledge we asked loosely structured questions, mostly about their own experience of emerging markets, the consumers and branding within these markets. Here questions asked[1] had mostly an indirect focus, e.g. *do you believe that...?*, rather than direct, e.g. *what are the...?* (Kvale, 1997).

From the interviews we attained specific information and examples of how the brands are acting within the markets and dealing with the opportunities and issues. However, not all respondents answered the questions per se, but discussed the issues indirectly. All together, the interviews with the managers have provided this research with a nuanced output.

The brands participating in our research can be viewed below, followed by the interviewed respondent:

- **Tena:** Bengt Eriksson, Category brand manager for incontinence
  (face-to-face interview)

- **Libresse:** Johan Dering, Category brand manager for feminine
  (face-to-face interview)

- **Libero:** Anna Königson Koopmans, Category brand manager for baby
  (face-to-face interview)

- **Orkla Foods:** Ami Wardi, Marketing and innovation director for the Baltics
  (telephone interview)

2.3.1.2. Interviews with experts

The information attained through interviews with managers was complemented with interviews with experts (Lundahl and Skärvad, 1999), here; the Swedish Trade Council (Exportrådet) for markets of our interest. We wanted to interview experts, as we believed that these individuals could provide a different perspective and general knowledge concerning companies within emerging markets.

The respondents were selected via a population sample (Jacobsen, 2002), focusing upon a collective level were we sent out emails to all Swedish Trade Council offices that existed in markets, by us, classified as emerging. For every country, we chose to contact the person in charge of the office, in line with a criteria sample (Jacobsen, 2002), as we believed these people had the most knowledge of the market. However, a few persons forwarded the request of an interview to someone else in the office.

Due to the geographical distance, all interviews conducted with experts were held over the phone. The questions asked to the experts were more general compared to the ones asked to the managers. Here we focused on creating a broader understanding of how managers perceive emerging markets and underserved consumers, together with how companies act with their brands within these markets. The questions asked[2] were also more direct, e.g. *what*

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[1] To see a full length of asked questions, please view appendix 1
[2] To see a full length of asked questions, please view appendix 2

are the...?, rather than more indirect, e.g. *do you believe that...?* (Kvale, 1997). We believe that we attained valuable results as interviews with managers were complemented through interviews with experts. As the managers were mostly talking about their own experiences with their brands, the experts had many different examples and more general knowledge of establishment in emerging markets.

The following experts were interviewed:

- **The Swedish Trade Council in Hungary:** Joakim Bergman, Head of office, (telephone interview)

- **The Swedish Trade Council in Latvia:** Niclas Boborg, Consultant (telephone interview)

2.4. Secondary data

The main source of secondary data in this thesis is documents. This data was mainly gathered from organisational documentation and documents from experts and served as a complement to create a wider knowledge of the research problem.

Organisational documents were collected from our respondents regarding the organisation and brands that took part in the study. We also collected information from homepages, annual reports and articles. This data was the base for describing the organisation and brands, but also to attain a more thorough understanding about how the products are branded within the emerging markets. Moreover, this provided us with an extended overview of the emerging markets that the participants are active on and a partial oversight of what opportunities and challenges they are facing within these markets (Bryman and Bell, 2003).

Documents obtained from experts complemented the organisational documents, where a more general overview was established over the emerging markets.

2.5. Criticism of our research approach

We will hereby present the reader with criticism of our research approach. This critique will have its standpoint within the four criteria of trustworthiness; credibility, transferability, dependability and confirmability (Guba and Lincoln, 1994 in Bryman and Bell, 2003). However, as this thesis did not aim to creating generalisation of results we will not focus upon the aspect of transferability. Rather than making generalisations, the main objective of this thesis was to bring forward regarding managers' perceptions of underserved consumers within emerging market. The criterion of confirmability was not applicable either as the social constructionist approach meant writing a thesis coloured by subjectivity. However, as we stated inter-subjectivity rather than provided truths, we believe this thesis to be valid as we used multiple sources, which made triangulation of data possible (Jacobsen, 2002).

We will in the section below discuss the principle of credibility and dependability further and complement this with the issue of context effect (Jacobsen, 2002).

- *Credibility*

First of all, the amount of useful literature concerning managers' perceptions and consumers within emerging markets was limited. The existing literature related to the field of emerging markets mostly concern business strategies, e.g. how to enter these markets. Hence, we had to create our own frame of reference, put together by many smaller findings from previous research. In order to increase the credibility of the research we used triangulation as much as possible. A wide range of literature and organisational documents were combined with interviews with different types of respondents, whereby juxtaposition of collected data was possible. Moreover, as we sent out summaries of the interviews to the respondents, we believe that we as interviewers secured that there were correct interpretations of the respondents' social worlds and perceptions. Thereby, the validity of this thesis was enhanced. Although, as we aimed to get close to the respondents and make them feel comfortable, this may have created a problem. The respondent may have felt that we imposed expectations on him or her to act or answer in a certain way (Holme and Solvang, 1997), which could have influenced the answers. However, as we tried to stay as neutral and objective as possible we believe that these issues have not affected the end result.

As part of our knowledge concerning the research area was built upon documents from managers and experts we can not be entirely certain that these documents are objective, which may question the credibility of this thesis. However, we tried to minimise these risks by investigating statements of different sources of information, questioning these documents and applying them carefully. The same approach was taken when applying and analysing the meanings of these documents with the intention to estimate the clarity of the sources and their applicability to this thesis. Due to this, we undertook triangulation to investigate whether or not multiple references state the same as to enhance document credibility (Bryman and Bell, 2003). Hence, it was our intention to apply the most accurate information in this research.

We have identified another factor that may question the credibility of this thesis which concerns the location of the managers interviewed. When conducting the research we did not interview managers that were located within the emerging market, but interviewed managers situated in Sweden and Finland. Managers located in emerging markets may have provided us with deeper insights and more clear perceptions regarding our studied area. As we wanted to collect managers' perceptions rather than accurate information we believed this factor not to question the credibility of this thesis.

- *Dependability*

To ensure the replicability of this thesis we have aimed at providing a profound description of how the research was conducted and which tools, methods and approaches that were used. It is our belief that a thorough account of the research method would enable this investigation to be conducted in another context. However, results may differ between different contexts due to the difficulties of freezing a social setting (Bryman and Bell, 2003).

During the interviews, both researchers were present. The outcomes of all interviews were discussed directly after each interview, which made it possible for us to ensure that we had interpreted the respondents' answers in the same manner. Therefore, we deem the internal reliability to be high. In addition, as we used a tape recorder and always took complementary notes, one person could focus on the respondent's body language in the face-to-face interview settings to secure that everything said was truthful. After the interviews we double-checked

our findings with the recorded interview, which we believe enhanced the dependability. However, all interviews were conducted in Swedish and thereby all the respondents' answers were in Swedish. Therefore, when creating the chapter regarding our empirical studies, some of the meaning collected from the respondents' answers may be lacking. We aimed at minimising this risk by having the interviews tape-recorded. Furthermore, both researchers were present at all interviews and discussed the outcome of the interviews with the intention to reduce the potential loss of meaning. However, when translating the respondents' Swedish expressions and quotations these may sound incorrect in English due to the difficulty of transferring the exact meaning from one language to another.

- ▪ *The context effect*

Regarding the impact of the context effect on the outcome of the research we aimed at conducting the interviews in a neutral setting as far as this was possible. However, this was not possible during one interview which may have affected the respondents' willingness to talk openly about the topics. Nevertheless, concerning this person, we believe this was not the case due to the results obtained and relaxed body language of the respondent which told us that this respondent was comfortable. In addition, all interviews were planned in advance whereby the interviewees had received information about what areas that would be covered in the interviews. In this way we wanted to create a natural milieu where the respondent felt comfortable and relaxed beforehand.

2.6. Theoretical framework

During the process of writing this thesis we were unable to find theories that could specifically be applied to managers' perceptions regarding underserved consumers within emerging markets. Hence, we believed it to be necessary to build up our own frame of reference to guide our research. This structure made it possible for us to complement existing theory with new viewpoints.

The theoretical framework we have developed is particularly influenced by Prahalad and Hammond (2002), Prahalad and Lieberthal (1998) and Prahalad's (2005) work. Prahalad was one of the first researchers that we came across when deciding upon the subject of emerging markets and underserved consumers. Prahalad is also the researcher that, in our view, has most knowledge concerning the opportunities and challenges of emerging markets. Hence, when reading up on Prahalad's (2005) work we realised that the purpose of our thesis could not be studied in isolation. Thereby, we found it important to include those areas which we believe influence managers' perceptions of the underserved consumer. The areas of interest – the "cornerstones" of this thesis – which we identified from Prahalad's (2005) research, were globalisation, emerging markets, branding and consumers.

Globalisation was included as it constitutes the larger context in which companies and consumers interact today. As MNCs operate in a global environment where emerging markets are seen as an option for establishing business abroad, the concept of emerging markets as such was vital to include in the theoretical framework. The part concerning globalisation within this thesis is seen from a critical view and not from a strategic perspective. It is our belief that MNCs must be looked upon from a critical view; both within the company and from the outside. We believe that in a world of globalisation, more responsibility must be put on MNCs due to the impact their presence have on e.g. consumers, environment and culture.

It is our standpoint that globalisation offers endless opportunities for companies, but also requires considerations in terms of how to act as a good citizen of society. The critical view taken towards globalisation is thereby a way for us to encourage, and emphasise, the importance of MNCs asking themselves what they can do differently and better in order to support the development of markets in which they are actors. The literature that was chosen regarding globalisation was therefore derived from, among others, Klein (2000), Appadurai (1998) and Ritzer (2004).

Emerging markets are also part of the purpose of this thesis which aims at investigating a phenomenon within these markets. The part discussing emerging markets is being viewed from a general perspective, as we believed it to be vital for the reader to get an extensive overview of what constitutes the emerging markets. Obtaining a thorough understanding of these markets is important for answering the purpose of this study. In addition, the branding aspect was important in order to answer the second objective of our purpose; to reveal what implications managers' perceptions of underserved consumers in emerging markets provide for branding in these markets. Furthermore, as the research also aimed at investigating managers' perceptions regarding underserved consumers within emerging markets it was vital to dedicate one part of the theory chapter to provide a picture of who the consumers of the emerging markets are.

As all the cornerstones chosen for the theoretical framework comprised a large number of previous investigations we had to be specific when applying theories to our theoretical frame of reference. Hence, we wanted to investigate two scenarios; managers' perceptions of underserved consumers and what implications these perceptions have on branding within emerging markets. To embrace these issues we focused merely on literature covering a) consumers in emerging markets, and b) product branding, in relation to globalisation and emerging markets.

As a result of the structure of this thesis, theory had a large impact of the outcome of this research. The result of our approach throughout this investigation meant that theory was interwoven with empirical findings, which resembles the iterative approach.

3. Theoretical Framework

In the following chapter we will introduce the reader to the theoretical framework of this thesis. This is followed by a presentation of the major building blocks of the chosen theory. Finally, the chapter ends with a conclusion of the theoretical framework.

"The most critical internal barriers to seizing the business opportunities at the bottom of the pyramid are those of perception."

(Prahalad and Hammond, 2002, p. 16)

3.1. Introduction

As MNCs are expanding to emerging markets such as India and China questions of how to conduct successful branding emerge. There are many potential consumers awaiting MNCs' consumer goods (Prahalad, 2005) and contemporary research provide a vast account of different branding strategies that can be used when entering a new market (see e.g. Chen and Pereira, 1999; Rahman and Bhattacharyya, 2003). However, when approaching underserved consumers MNCs need to apply a different business approach and according to Prahalad and Lieberthal (1998), MNCs first need to change their mindsets for their brands to be successful. In other words; a new way of thinking is required. Prahalad and Hammond (2002) argue that it is a matter of *perceptions* and that these perceptions must be confronted by managers in MNCs in order for opportunities to be seized. However, the power of one's dominant logic is deeply rooted and affecting how each individual perceives the world. These perceptions are influenced by experiences, ideology and management practices and are not easily changed. Even though knowing the direction of where one must go, leaving one's zone of comfort and beliefs is distressing (Prahalad, 2005). Prahalad (2005) argues that the perceptions that MNCs have concerning consumers in emerging markets restrict them from seeing the opportunities of these markets. Below are a few of these assumptions identified by Prahalad (2005):

- The poor have no purchasing power.

"The poor are not our target customers; they cannot afford our products or services."
(Prahalad, 2005, p. 8)

- The poor are not brand-conscious.

"The poor do not have use for products sold in developed countries."
(Prahalad, 2005, p. 8)

- The market is not crucial for MNCs in terms of attaining long-term growth.

The Consumer as Barrier vs. The Consumer as Partner

"The BOP[3] market is not critical for long-term growth and vitality of MNCs."

(Prahalad, 2005, p. 8)

In these assumptions, we identify the following key areas of interest for this thesis:

- The poor – hence, *consumers*

- The role of brands – *branding*

- The market – in the context of this thesis; *emerging markets*

However, we believe that these perceptions and key areas of interest need to be put into a larger context in order to provide a complete picture of the complexity of these issues. This context is that of *globalisation* which will constitute our fourth cornerstone in building the theoretical framework. MNCs today operate in a global environment whereby we find it necessary to provide an account for this context.

The theory chapter is structured according to *Fig. 2*. We will start by providing the reader with a broader perspective of *globalisation* in which MNCs and consumers interact. The discussion of globalisation will be from a critical view as we believe that underlying perceptions can only be brought forward if pursuing a critical mindset. Thereafter we will continue with providing an account for the concept of *emerging markets* in order to show what characterises these markets that MNCs are operating in. This will be followed by a section on the subject of branding as a second objective of this thesis is to reveal what implications managers' perceptions of underserved consumers in emerging markets provide for branding in these markets.
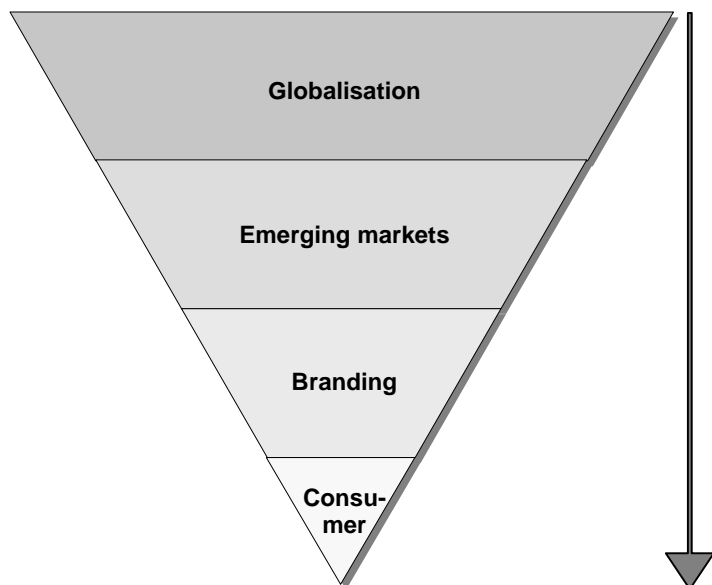

Fig. 2: Structure of the theory chapter

Finally, the theoretical framework will land in a section concerning the *consumer* with which we aim to build a picture of who the underserved consumer of emerging markets is.

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[3] BOP – Bottom of the Pyramid, see section *3.5.1. Defining the consumer*

3.2. Globalisation

3.2.1. Defining globalisation

"For some, globalization means freedom, while others see it as a prison. For some, it means prosperity, while for others it guarantees the poverty of the developing world."

(Schirato and Webb, 2003, p.2)

There is plenty of literature and research which is pointing to the fact that globalisation as a concept is confusing and difficult to define (see e.g. Machado, 1999; Nederveen Pieterse, 2004; Jenkins, 2004; Brinkman and Brinkman, 2002). Agénor (2004) and Jenkins (2004) belong to those who define globalisation as a process. This process involves, according to Agénor (2004, p. 21-22), that

"goods and services, capital, people, information and ideas flow across borders and lead to greater integration of economies and societies".

Jenkins (2004, p. 1) provides a similar definition, stating that globalisation is an integrative process in world economy:

"through movement of goods and services, capital, technology and (to a lesser extent) labour, which lead increasingly to economic decisions being influenced by global conditions".

Brinkman and Brinkman (2002) emphasises that amidst the definitions of globalisation in relation to economic processes globalisation is also relevant in terms of e.g. quality of life, jobs, human rights and ecological sustainability. Furthermore, the World Bank (2002) argues that globalisation is affecting everyone's lives and is part of such diverse events as the spread of AIDS, the growth of the Indian and Chinese markets as well as the development of the Internet and the importance of enabling people around the world to communicate with each other. Globalisation can be described as global *integration* (World Bank, 2002) and is hence, a multidisciplinary concept (Brinkman and Brinkman, 2002). However, the aspect of globalisation that we will take into consideration throughout this thesis is the definition by the World Bank (2002, p. 3):

"globalization can be summarized as the global circulation of goods, services and capital, but also of information, ideas and people".

3.2.2. Aspects of globalisation

There are many different critical aspects of globalisation that have been (or are currently being) voiced. There does not seem to be consensus regarding the good and bad effects of globalisation. Graham (2001) argues that the poor have been enabled to increase their incomes due to the market reforms that developing countries have undergone to enter the global market. Poverty is increasing in some developing countries, however; according to a report from the World Bank (2000), globalisation has played a significant role in impacting growth in these economies and thereby reducing poverty.

However, there are critical voices against globalisation accusing MNCs for abusing their power to be offered the lowest production prices possible and not caring about the situation in factories in developing countries to which manufacturing has been outsourced. The outsourcing of production to low-cost countries has put MNCs in the spotlight for criticism of workplace conditions and cheap labour, among other things. Stories of wages that have been significantly below what is to be accepted as a minimum have put some of the most well-known brands (such as Nike, Gap, etc.) in the centre of negative attention (Klein, 2000). Below follows a discussion of the areas which we have found to be some of the most debated issues of globalisation and which are highly relevant to this thesis.

3.2.2.1. Consumer culture

The global economy can be viewed through its impact on culture. What is then culture? In the context of globalisation, Appadurai (1998, p. 13) regard culture as a

"dimension of human discourse that exploits differences to generate diverse conceptions of group identity".

The reason for this definition is to move away from culture as defined only by attributes of e.g. a territorial or material nature. Rather, culture is viewed in a light where there is a consciousness of these attributes and where differences are mobilised in order to create a sense of group identity (Appadurai, 1998).

Culture can be viewed as flowing throughout the world through a set of different landscapes which Appadurai (1998) proposes constitutes of ethnoscapes, mediascapes, technoscapes, financescapes, ideoscapes. These "-scapes" include the flow of international capital as well as international fashion trends and offer a construct of perspectives that differ depending on the angle from which they are viewed.

The e*thnoscape* include the groups of individuals that form a world that is constantly shifting; tourists, guest workers, immigrants, etc. The motion of humanity is occurring on a larger scale where immigrants from Asia can find themselves in Europe and where there are men and women moving from their home countries, settling in other parts of the world. In terms of *technoscapes*, technology has also become mobile, moving across boundaries with high speed. In one country, a steel complex may involve corporations from different parts of the world, bringing together new technological innovations. Relationships thereby become increasingly multifaceted providing increased flows of labour and capital. The *financescape* provide a landscape where capital can be moved rapidly across the globe whereas *mediascapes* refer to the world-wide reach of information through newspapers, television, advertising, film production, etc. Mediascapes can provide the viewer with images and narratives which show small parts of reality where the large part is left for the imagination of the audience. Hence, there is a thin line between the real and the fictional and the risk of constructing an imagined world becomes more likely the farther away the viewer is from direct experiences. The *ideoscapes* refer to political images linked to movements and ideologies which also include communicative aspects. For example, meanings of words and concepts differ when translated into different contexts and certain communicative genres (cinema, newspaper, etc.) are better suited in some cultures than others (Appadurai, 1998).

Consumers within emerging markets transform global meanings to local, whereby "glocalization" occurs. Glocalization enables these consumers to gain the benefits which the foreign goods provide, e.g. usefulness. At the same time consumers uphold traditional values, embodying both the modern and the traditional. Hence, consumers in emerging markets can be viewed as active participants in globalisation (Eckhardt and Mahi, 2004).

> *"You can alienate me a bit from my culture, but you cannot make me a stranger to my culture.*
> *The society is much stronger than any company or product."*
>
> (Berenjian interviewed by Prayag, 2002, p.1)

3.2.2.2. Homogeneity vs. heterogeneity

One of the issues surrounding culture is that of homogeneity and heterogeneity. Globalisation includes elements of homogenisation such as advertising techniques and clothing styles which are affecting culture (Appadurai, 1998). It is also being argued that globalisation can lead to a "McDonaldization" of society (Ritzer, 2004). McDonald's has been chosen to name the paradigm of a process where

> *"the principles of the fast-food restaurant are coming to dominate more and more sectors of American society as well as of the rest of the world."*
>
> (Ritzer, 2004, p. 1)

McDonald's is not the only company that has successfully transferred its concept to other parts of the world; Starbucks and Wal-Mart are other corporations with a similar, McDonaldized concept. This concept is globalised in the sense that it enables *efficiency* (service), *predictability* (the same all over the world), *control* (over labour and customers) and *calculability* (inexpensive and fast). One of the effects of McDonaldization are the new ways of organising life (among other things) which have spread throughout the world. One fear of McDonaldization is that the world is becoming homogenised and that global corporations can largely influence the thoughts and actions of individuals (Ritzer, 2004).

Nederveen Pieterse (2004) offers an opposing view of McDonaldization arguing that a concept can only succeed if adapted to the local reality – through "glocality". A fast-food restaurant such as McDonald's can be looked upon in different ways, depending on where in the world it is located. It can be a public space for young people do homework or "hang out" or be viewed as a restaurant for the middle class (Nederveen Pieterse, 2004). However, the fear of globalisation weakening local culture is well-grounded. Western culture, particularly American culture, holds a strong position in the world due to the exports of films and brands whereby a homogenisation of culture can cause a loss of identity (World Bank, 2002).

However, it is important to note that many emerging markets do in fact show a high degree of heterogeneity due to the many different cultures encompassed into one market. This also means that an emerging market such as China or Indonesia is in reality less homogenised than believed by the MNC (Nakata and Sivakumar, 1997). This is further emphasised by Cui and Liu (2000) who argue that the "global consumer" that MNCs believe can be created does not exist. Believing that consumers across the world will come to have the same preferences in terms of quality of goods and life is thereby an assumption that is not likely to become reality in all markets (Cui and Liu, 2000).

3.2.2.3. Consumption

Many MNCs view globalisation as an opportunity to access new markets where there is a possibility to be first-to-market and thereby gain the advantage of communicating in an environment where consumers are less distracted by competitive messages. The intention for entering other markets is to grow the business and to reach new populations of consumers who can participate in consumption of goods from MNCs across the globe (Nakata and Sivakumar, 1997). Moreover, a first-mover also has the opportunity to set the standard within one's own product category as consumers have limited knowledge about what the ideal product should be. However, being first to enter a market does not necessarily create a sustainable competitive advantage. In order to be competitive in the long run it is vital that the MNC stays ahead of competitors through constant innovation (Rahman and Bhattacharyya, 2003).

In the context of consumption and globalisation, Appadurai (1998) points to the fact that a society that can be regarded as diverse and, further, that has a complex history of connections with other societies, is likely to have a background that tells of fragmented ways of consuming. In developed markets, consumption has become a social practice through which individuals can dream and fantasise by purchasing a commodity (Appadurai, 1998). The link between fantasies and consumption can also be drawn in emerging markets where many consumers long for "experiences" through consuming certain products (Prahalad interviewed by Dearlove, 2004).

However, can consumers in emerging markets afford to participate in global consumption? Klein (2000) is critical to MNCs and points to the fact that low wages in developing countries often means that factory workers are not paid enough to support the living of their own families, whereby consumption of goods is not possible. This also leads to a lack of stimulation of the local economy (Klein, 2000). Prahalad (2005) on the other hand, provides a contrasting view by questioning how poor the poor in fact are. In terms of poor countries Prahalad (2005) argues that a part of poverty stems from lack of financial structures and poor functioning of markets. Furthermore, the author argues that the private sector can be part of transforming the markets and enabling consumption. To reap the benefits of globalisation also means contributing to improving the market that the business is operating in (Prahalad, 2005).

With companies starting to recognise the potential that lies within the large populations of consumers with very low purchasing power the key for success seems to require an active approach in terms of actually *creating* consumers' buying power. Thus, to create opportunities for poor consumers to raise their incomes through generating job opportunities and providing credit to enable consumption (Prahalad and Hart, 2002).

It is important to remember that consumers create the markets and the consumption patterns within these. On the other hand, the market offerings affect consumers' consumption preferences whilst being shaped by what consumers like and dislike. When transferring the meaning of a product's cultural compatibility and transformability of meaning it is important that MNCs investigate these two factors from the consumers' perspective. It is also vital to take into consideration that consumers in emerging markets do not blindly imitate Western lifestyle and consumption patterns. Instead, consumers evaluate products offered by MNCs and to what extent these are aligned with local values and traditions before they decide to accept or reject them. Hence, it is vital for MNCs to be aware of and examine consumer

consumption preferences in relation to local culture when establishing global products in emerging markets (Eckhardt and Mahi, 2004).

3.2.3. Rethinking globalisation

The prospects of large pools of new customers and cost reductions in manufacturing have transformed the business of MNCs (Farrell, 2004). However, Farrell (2004) argues that MNCs are merely seeing a small portion of the opportunities that globalisation can offer. Prahalad (2005) suggests that MNCs begin to take a new view on emerging markets, recognising the poor in these markets as potential consumers. MNCs have excluded the poor in the process of globalisation, which has led the poor being unable to gain access of products and services. The new approach can help the poor and achieve a sustainable development of emerging markets as well as create profitable opportunities for MNCs, according to Prahalad (2005).

Moreover, Prahalad (2005) believes that including the poor is the best way of coming to terms with current problems of poverty; with product offerings that include the poor and with a mindset that recognises the importance of these consumers as active problem-solvers. Therefore, poverty is to be regarded as an opportunity of new, entrepreneurial approaches in which MNCs, non-governmental organisations (NGOs), governments and the consumers themselves will all play important parts (Prahalad, 2005).

3.3. The Emerging Markets

3.3.1. Defining emerging markets

In chapter *1. Introduction* of this thesis the reader was introduced to the concept of emerging markets and how an emerging market is determined. We referred to a set of tests by Rahman and Bhattacharyya (2003):

1. The nation promises significant future economic growth.
2. The economy of the nation recently opened, thus, direct foreign investment is possible. The process of liberalising trade will maintain in the future.
3. The nation can provide an institutional infrastructure, enabling marketing transactions, although the effectiveness of this infrastructure is not reaching up to the infrastructure of developed markets.

Hence, these markets are

> *"less developed countries with indications of healthy economic advancement"*.
> (Nakata and Sivakumar, 1997, p. 462)

Examples of such markets include Brazil, India, South Africa, the Czech Republic and Hungary (Nakata and Sivakumar, 1997). There is, however, no typical emerging market due to the variations in e.g. size, resources and level of development. Although these markets provide huge opportunities for growth, an emerging market must be assessed by its physical, socio-political and economic characteristics before being entered by MNCs (Miller, 1998).

- *Physical characteristics*

This aspect involves consideration of e.g. poor communication systems (Miller, 1998) and probably most importantly; lack of infrastructure (Nakata and Sivakumar, 1997). These issues can make it difficult for companies to conduct commercial activity in the market, but also offer new business opportunities. In addition, transportation and the lack of power-generating facilities are posing restrictions on the commercial activities of MNCs in these markets (Miller, 1998).

- *Socio-political characteristics*

The profound political and economic transformations in many emerging markets cause instability and uncertainty (Miller, 1998). Political instability is more common in emerging markets than in developed countries whereby the situation in the emerging market can more or less change overnight. Thus, leading an environment that at first seemed promising for investment into a less favourable one (Nakata and Sivakumar, 1997). Despite the transition to free market economies, disagreements between emerging economies and developed countries in terms of e.g. human rights are possible. Furthermore, socio-politic characteristics such as the legal framework and level of technology are other aspects to consider. Issues of corruption or low level of technological knowledge can be frequent in the emerging markets (Miller, 1998).

- *Economic characteristics*

Economic growth in many emerging markets is restrained whereby income is limited. This situation has implications on product marketing as emphasis, at least initially, is likely to be on low-cost consumables to achieve success in these markets. However, in each of the emerging markets there is a privileged class which can afford goods that in general are unavailable for large parts of the population due to the expensive nature of the products. The upper class can be large enough though to provide a profitable market for consumer goods (Miller, 1998).

The purchasing power of citizens in emerging markets is generally limited. As emerging markets intend to advance and improve their economic situation, the demand for more products in these markets will increase. Hence, the purchasing power of consumers will improve and purchases that were unavailable to consumers before will become affordable (Miller, 1998). However, it is important for companies to be aware of the fact that inflation is likely to follow rapid economic growth. The consequence may be lower demand of goods that were affordable prior to the inflation (Nakata and Sivakumar, 1997).

3.3.2. Demand of emerging markets

The demand development experienced by emerging markets is generally divided in four phases, as shown in *Fig. 3*. The duration of a particular phase is depending on economic progression of the market and can thereby be different between countries. Moreover, sustainable growth in the emerging markets will further depend on the characteristics of the area, such as natural resources or low-cost labour. In order to avoid these markets to be exposed to risks that can that lead the growth to slow down, emerging markets need to reach a

balance between risks within the country and the opportunities of the future. Thus, sustainable growth will follow (Miller, 1998).

Depending on which stage the market is in, it will require different kinds of products. A market in an early stage of development tends to require inexpensive consumer goods that can be imported in small volumes and thereby sold at a lower cost. When demand for imported products increase, expensive goods such as electronics will follow (Miller, 1998).
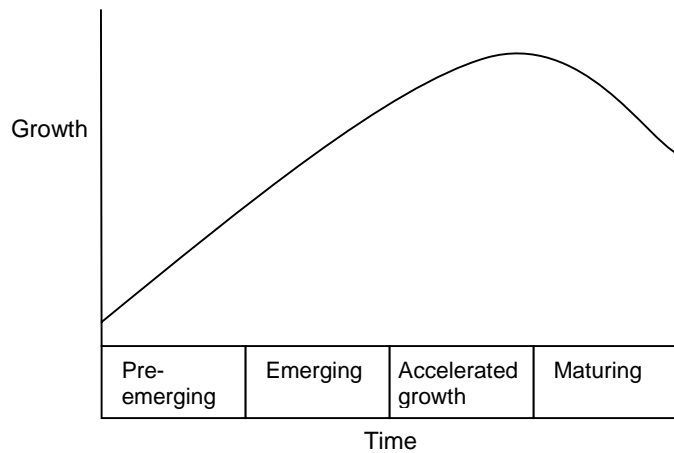

Fig. 3: Phases of the emerging market, Miller (1998), p. 6

3.3.3. The new mindset

"All of us are prisoners of our own socialization."

(Prahalad, 2005, p. 6)

As a result of an accepted dominant logic, MNCs shape assumptions of emerging markets. These include thinking of the poor as consumers who do not have use for MNCs' products, that reaching these consumers is not vital for their own long-term success and technological innovations are only appreciated and paid for in developed markets (Prahalad, 2005). Prahalad (2005) seeks out to challenge MNCs on these assumptions in order to create new perspectives on emerging markets.

Prahalad and Lieberthal (1998) mean that MNCs are starting to view emerging markets as sources of technical and managerial skills. Emerging markets were merely considered as new markets for existing products whereby great revenues could be collected. As a result of this mindset many MNCs have not achieved great successes. However, MNCs are now realising that a new way of thinking is required which demands changes in current business models. Minor adaptations in the product offering are not sufficient; instead, managers must rethink all elements (Prahalad and Lieberthal, 1998):

- *Price-performance equation*

Tastes are changing which requires both local and global companies to adapt, e.g. to changes of tastes in terms of restaurant atmosphere (e.g. local restaurants adapting to global standards of cleanliness), what is considered good value for money, etc.

- *Brand management*

MNCs are likely to overestimate the power of the "Western brand" whereby repositioning may have to be considered. The use of local celebrities in advertising is an example of how repositioning can be implemented.

- *Costs of market building*

Educating consumers in order to create e.g. new eating habits is difficult and can become costly. Thus, MNCs ought to compare the potential benefits of this approach with introducing a product that does not require education of consumers.

- *Product design*

Differences in use, sales, storage or distribution can require changes in the design of a product, even though the want for a certain product in an emerging market is the same as in other markets.

- *Packaging*

Poor infrastructure or heat may require different means of packaging, so does differing demands from consumers depending on their purchasing power. Consumers with very low incomes prefer single-serve sachets of e.g. shampoo or detergent which allow them to buy what they need and can afford for the moment.

- *Capital efficiency*

It is often believed that the problems of infrastructure and poor banking facilities in emerging markets will require MNCs to use more capital than in the Western world. However, by rethinking their business models MNCs can change their mindset in this matter and follow successful examples of companies that have succeeded in emerging markets. MNCs will continue to face challenges in emerging markets such as political instability, which can come to slow down the growth process. What is important to remember, though, is that MNCs need to be present in these markets due to the potential growth in the long-term perspective (Prahalad and Lieberthal, 1998).

3.4. Branding

3.4.1. Defining branding

"Brands are complex entities that are conceived in planning documents, but ultimately they reside in consumers' minds."

(de Chernatony, 1993, p. 174)

"A brand can be likened to a ship in a fleet facing an upcoming battle. (…) The brand manager is the captain of the ship, who must know where his or her ship is going and keep it on course. The other brands in the firm, like other ships in a fleet, need to be coordinated to achieve maximum effectiveness. Competitors correspond to enemy ships; knowing their location, direction, and strength is critical to achieving strategic and tactical success. The perceptions and motivations of customers are like the winds: It is important to know their direction, their strength, and possible changes."

(Aaker, 1996, p.13)

It has become highly attractive to go global with brands, and sometimes this move is forced by the home market (Swystun, 2005) as companies want to expand to other markets when their home market is saturated (Keegan, 1999). Even though it represents a perception of excellence it is also highly challenging as it is difficult to achieve a competitive presence in all global markets with identical core values (Swystun, 2005).

Furthermore, branding is in the long-term becoming increasingly important for consumers with low incomes in emerging markets. To these consumers, brands are regarded a recent phenomena and have become an important determinant for consumers' purchasing decisions (A.T. Kearney, 2003).

3.4.2. Brand establishment

The strategy 'think local and act global' is said to be most suitable for gaining acceptance and success in emerging markets with powerful brands that are well-established in other parts of the world. The approach has its starting point in the assumption that global expansion is managed most efficiently by adapting to local market conditions around the world. Diversity is hereby seen as a foundation of opportunity. This type of approach, from the bottom and up proposes greater prospects for generating revenue (Paul, 2000). However, as the core identity of a brand creates a focus for the company and the consumer, it should remain the same in order to establish brand consistency. The core brand identity reflects the company's strategy and values. In addition to the core identity, there exists an extended identity comprising everything else that builds a brand, e.g. brand personality. Together, these create the whole identity of a brand (Aaker and Joachimsthaler, 2000).

3.4.2.1. Brand identity

Every brand has an identity constructed by the brand's heritage. The identity presents a unique profile and legitimates the use of the brand through the values and benefits that were set up from the beginning. Without knowing a brand's identity, brand positioning can not be successful (Kapferer, 2004). A strong brand has a clear and rich identity that represents what the company wants the brand to express (Aaker and Joachimstahler, 2000).

A brand's identity consists of six parts, as demonstrated in the hexagonal prism in *Fig. 4*. All facets are interrelated and together they form an entity. As seen in the figure, both the internal
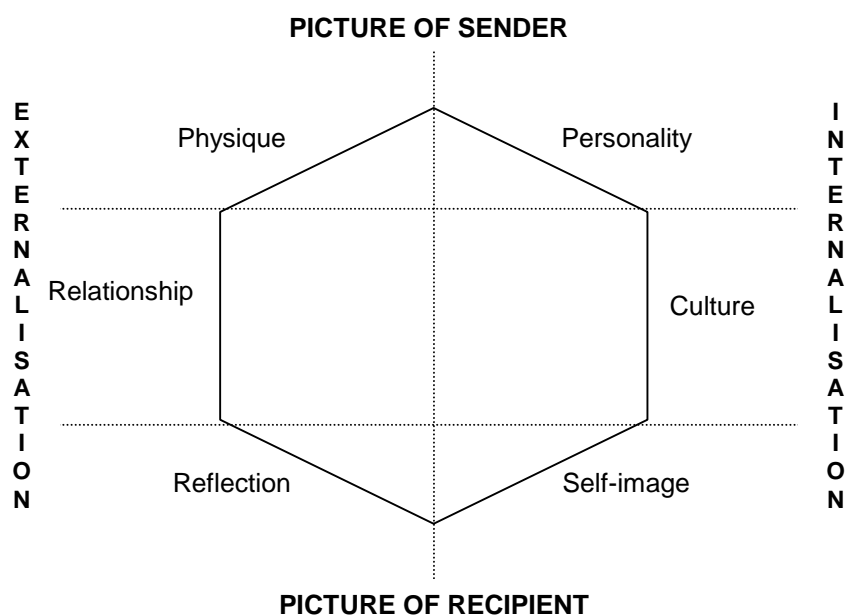
Fig. 4: Brand identity prism, Kapferer, 2004, p. 107

aspect as well as the external factors must be taken into consideration together with both the sender's and the recipient's picture. This is necessary as brand communication affects all directions (Kapferer, 2004). Below, all parts within the identity prism are briefly discussed.

- ▪ *Brand physique*

All brands have physical attributes, consisting of either objective salient characters or emerging features. These form the tangible assets, which comprise the product's prototype that must be representative to the qualities conveyed by the brand (Kapferer, 2004). Furthermore, the brand physique includes functional benefits that the brand can provide, which is everything that enhances the consumer's perception of the brand's functionality. This is a part of the value proposition that the brand can provide the consumer with (Aaker and Joachimstahler, 2000).

- ▪ *Brand personality*

Brand personality can be viewed as the human characteristics that people relate a brand with (Aaker, 1997b). All brands have a personality, some more and some less, but the character can be built up by communicating the products and values (Kapferer, 2004). Aaker (1997b) completes this view of brand personality by adding five personality dimensions and their facets; *sincerity* (down-to-earth, honest, wholesome, cheerful); *excitement* (daring, spirited, imaginative, up-to-date); *competence* (reliable, intelligent, successful); *sophistication* (upper class, charming); and *ruggedness* (outdoorsy, tough).

- ▪ *Brand culture*

According to Kapferer (2004), every brand has its own culture and every new product within the same brand derives from this culture. Furthermore, it is the culture that interlinks the brand with the company, which is of high importance particularly if the brand and the company hold the same name. In addition, the cultural facet involves the brand's outward signs, e.g. the products and the communication to the public (Kapferer, 2004).

- ▪ *Brand as relationship*

For companies it is essential to create relationships with consumers with the intention to create loyalty to their brands and thereby increasing company profits. To establish relationships with consumers, brands can provide value-added components such as superior product quality and supporting services (Ravald and Grönroos, 1996). In regards to this, the brand identity helps establishing a relationship between the consumer and the brand through the value proposition (Aaker and Joachimstahler, 2000). The consumers on the other hand value relationships for other reasons; safety, credibility and security, in order not to search for new providers (Ravald and Grönroos, 1996). The value proposition that the consumer-brand relationship can provide is emotional benefits, where the consumer's feelings can enhance during the purchase process or while using the brand (Aaker and Joachimstahler, 2000). In order to create a consumer-brand relationship it is vital to highlight that the brand is animated, humanised or personalised to make the consumers aware of the connection and appeal to the relationship (Fournier, 1998).

  ▪ *A brand is a consumer reflection*

A brand builds a reflection or image of the typical user, which people believe it is addressing and is hence functioning as an outward mirror (e.g. *they are…*). This is partly why people prefer to purchase certain goods as they want to convey a specific message through their possessions. Here, the consumer reflection should view how the consumers want to be perceived (Kapferer, 2004).

  ▪ *Brands as self-image*

This facet of the prism is the target consumer's internal mirror (e.g. *I am*, *I feel…*), and can be viewed as an internal relationship with ourselves (Kapferer, 2004). This is connected to self-expressive benefits, where the purchased brand can enhance the feeling of self-image (Aaker and Joachimstahler, 2000).

3.4.2.2. Brand name

In order to communicate a brand's identity to the public, it is important to have a strong brand name as the brand name is one of the most powerful sources of identity (Kapferer, 2004).

In order for a company to be successful globally it is important to select a brand name that is suitable for the emerging market. In addition, depending on how much the brand is adapted and affected by extensions, one has to consider which global branding strategy that is most effective. A company could either choose to use a uniform brand name worldwide, adjust it slightly to different markets, use another brand name for the products to suit different markets, or to apply a corporate umbrella brand, where the corporate name becomes the brand name (Chee and Harris, 1998). Hence, a brand can be seen as a name that influences buyers, as brands are both risk and time reducers and therefore help consumers to choose between products (Kapferer, 2004).

When supplying the consumer with a value proposition identified to provide added value, the added dimension can be the crucial factor when deciding between brands. Moreover, the brand name is by itself, if properly selected, adding value to the brand proposal which helps the consumer to choose between different brands (Aaker and Joachimstahler, 2000). However, within emerging markets, brand names often come second when consumers make a purchase decision (Ettenson, 1993).

3.4.3. Brand transfer

The transfer of an established brand to new markets can be successfully accomplished by the application of two strategies (Hankinson and Cowking, 1996):

1. Brand stretching strategy
2. Brand expansion strategy

A combination of the two strategies is seen in the brand franchise matrix in *Fig. 5*. The brand is stretched along the product development axis to initiate line extensions. In order to develop

the market (vertical axis), a brand extension strategy can be applied (Hankinson and Cowking, 1996).

The extension strategy is becoming immensely popular for brands entering new markets and which wish to do so by using an already established brand name (Kapferer, 2004). The intention is to enhance the core brand and to reinforce the brand image and create stronger associations to the core brand (Aaker, 1990).
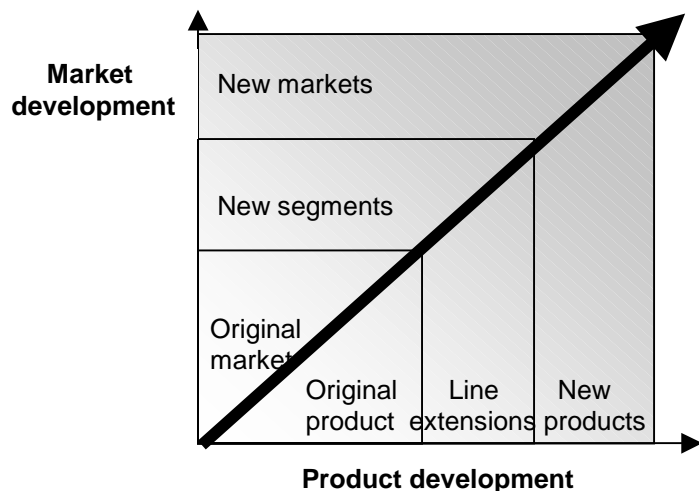

Fig. 5: The brand franchise matrix, Hankinson and Cowking, 1996, p. 127

As stated above, a brand can be capitalised on through line or brand extensions. By using line extensions, the purpose is to enrich the core promise of the brand through providing it with diversity, e.g. new flavours, or expanding a product range to include products related to the core brand. Brand extensions on the other hand can be applied when a company wants to use the same brand for new products, as with Bic; expanding from ballpoint pens to disposable razors (Kapferer, 2004). However, it is highly unusual that one single brand can be extended to include a value, standard and premium assortment (Aaker, 1997a). Furthermore, extensions are not suitable to apply in all directions and the choice is determined by the brand itself (Kapferer, 2004). A brand name can fail to help an extension and in the worst scenarios hurt the extension or damage the original brand by weakening or creating undesirable associations (Aaker, 1990). This can occur when the brand extension attributes are conflicting with the family brand beliefs, diminishing the attributes and beliefs that consumers have learned to associate with the particular name, which can result in diluting the family brand name (Loken and Roedder John, 1993).

When establishing a brand in another market the most suitable elements to standardise are brand name, product positioning, service standards and advertising. However, distribution, and pricing are more difficult to standardise (Takeuchi and Porter, 1986 in Segal-Horn and Davison, 1990).

3.4.4. Opportunities for brands

"The real source of market promise is not the wealthy few in the developing world, or even the emerging middle-income consumers: It is the billions of aspiring poor[4] *who are joining the market economy for the first time."*

(Prahalad and Hart, 2002, p.1)

There are prosperous rewards waiting for those companies that both have the resources and the determination to act within emerging markets and which aim to target consumers with low purchasing power. The incentives include growth, higher profits and immeasurable contributions to humanity (Prahalad and Hart, 2002). Furthermore, as these markets are

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[4] "aspiring poor" written in italics in original text

viewed as new and are not yet as competitive as developed markets, a distinct first-mover position and top of mind position can be established, which in the long-term can create competitive advantage (Rahman and Bhattacharyya, 2003). In addition, the size of the markets and the possibility to create economies of scale (Swystun, 2005) and scope await MNCs and, thus, greater efficiency in operations (Segal-Horn and Davison, 1990).

3.4.5. Challenges for brands

All opportunities mentioned above impose challenges for brands. The challenges faced by companies within emerging markets are related to e.g. culture, buying behaviour and existing brand loyalties. Normally, businesses do only tangent these areas, if considering them at all. A company must carefully weigh all risks associated with establishing a brand on emerging markets. The mistakes many firms do is to assume that their brands communicate the same meaning to all markets, resulting in a confused brand message or creating a too standardised concept, alternatively simplifying it to a level where new innovations are discouraged. Furthermore, companies often underestimate the time it takes for a consumer to become aware of a brand, try it and adopt it. Regarding the regional employees, businesses frequently forget to align the brand concept and its benefits internally, resulting in inconsistent communication towards consumers (Swystun, 2005).

"The poorest populations raise a prodigious new managerial challenge for the world's wealthiest companies: selling to the poor and helping them improve their lives by producing and distributing products and services in culturally sensitive, environmentally sustainable and economically profitable ways."

(Prahalad and Hart, 2002, p.2)

In terms of consumers within emerging markets, companies overestimate the efficiencies of infrastructure and distribution channels, making it harder for brands to reach out to consumers, especially the poor people (Cui and Liu, 2000). This is particularly true as companies have an incorrect appraisal of what consumers wants, resulting in overpricing, perceived lack of the products' functionality, overestimating the size of the market and underestimating the present local competition (Keller and Moorthi, 2003).

Furthermore, as conditions within emerging markets are continuously changing, companies must be highly active with their brands in order to keep their market position, which is discussed through the Red Queen effect[5]. Competitors are here continually improving and companies therefore have to "keep running" fast in order to be part of the game. However, companies can be blinded by well-performing brands within developed markets and believe that the same performance will be the case within emerging markets, as stated by the Icarus paradox[6] (Miller, 1992 in Heracleous, 2003). In this sense, a company's brand can result in its downfall due to the fact that the source of success dominates the actions taken at the expense of other central issues. As the environment is continuously changing, this may lead to a strategic drift[7] (Johnson, 1987 in Heracleous, 2003). This occurs when the environment changes at a faster pace than the organisational change. In order for the company to regain the brand's former successful position, a radical transformation must occur (Heracleous, 2003).

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[5] The Red Queen effect is here applied to branding. In its normal context it is a general concept.

[6] Icarus paradox is here applied to branding. In its normal context it is a general concept in organisation theory.

[7] Strategic drift is here applied to branding. In its normal context it is a general concept in organisation theory.

3.4.6. To succeed with brands in emerging markets

In order for brands to become successful within emerging markets, Keller and Moorthi (2003) are suggesting six guidelines for companies to achieve growth. Firstly, it is central to return to basics and emphasise product functionality and avoid addressing values that are only relevant to a limited target market. Secondly, pricing of products should also be in line with consumer purchasing power. Thirdly, communicating functional brand values is vital, however; the fourth guideline is that companies should not forget to deliver them. The fifth important factor is for a company to adapt operational decisions in order to suit the current reality of the market, e.g. stock products in smaller packages. The last guideline is emphasising that companies should make potential estimations concerning potential market share. This should be based upon consumer buying insights gathered through committed and consistent market research.

Proactive and positive communication must further be employed with the intention to fight negative perceptions, e.g. conspicuous consumption, brand arrogance and cultural colonisation. Finally, positive and socially relevant values must be instilled into the brand image as to make the brand more relevant to the consumer, helping the company to achieve higher revenues (Keller and Moorthi, 2003). In addition, it is important to engage in channel management, as to reach underserved consumers and to create a larger brand awareness and availability (A.T. Kearney, 2003). Another possibility is for companies to develop new products and become more innovative in order to help poor people, as the life situation of the poor differs from middle and upper classes. Thus, the products currently offered by companies may not be suitable for the underserved consumers (Prahalad and Hart, 2002).

3.5. The Consumer

3.5.1. Defining the consumer

Consumers in the world generally belong to one of the four tiers of income, as seen in *Fig. 6*. Within emerging markets, the top of the pyramid is narrower, while the bottom of the pyramid is wider, showing that there is a larger population of more poor people living in these markets as compared to developed countries. Thus, people living in developing countries more or less belong to either the fourth or the third tier (Prahalad and Hart, 2002).

Annual Per Capita Income*	Tiers	Population in Millions
More Than $20,000	1	75–100
$1,500–$20,000	2 & 3	1,500–1,750
Less Than $1,500	4	4,000

Fig. 6: The world economic pyramid, Prahalad and Hart, 2002, p.5

"Now consider the 4 billion people in Tier 4, at the bottom of the pyramid. Their annual per capita income – based on purchasing power parity in U.S. dollars – is less than $1,500, the minimum considered necessary to sustain a decent life."

(Prahalad and Hart, 2002, p. 2)

Although these poor consumers in general have a lower income level, they often live in economies that are very costly. Product and service offerings are not adapted to their situation. Often this can be a result of the fact that these consumers do not have access to larger stores that can offer lower prices. Instead consumers belonging to the fourth tier have to visit their local shop where inefficiency due to smaller volumes pushes up the price levels. The result of this can be an increase in the price of food close to 20 to 30 percent compared to the level in developed countries, or even in the urban areas of emerging markets, as this difference is mostly visible in rural areas (Prahalad and Hammond, 2002).

Since consumers at the bottom of the pyramid (BOP) have lower income levels, companies do not believe that these consumers care about quality or technology but that their focus is merely on price (Prahalad and Hammond, 2002). Prahalad and Hammond (2002) state that this is a myth and that these people, even though many are illiterate, can understand and also demand new technology. Furthermore, consumers within emerging markets are also demanding and sceptical to what companies have to offer. They want functional products and therefore respond to product-focused advertising, where the possibility to trial is important (Berndt, 1996). In this sense, Ger and Belk (1996) argue that consumers in emerging markets have an active, rather than a passive, role as they are actively making decisions and impose global products with local meanings. Ger and Belk (1996) entitle this process consumption creolisation.

3.5.2. Consumer purchasing power

Many people believe that consumers with modest incomes within emerging markets have low purchasing power (Prahalad and Hammond, 2002). Prahalad and Hammond (2002) emphasise that this is a myth, as these consumers' aggregated buying power is significant. The authors have noticed that consumers within the lower tiers are spending a higher fraction of their incomes on services and products that can raise their standard of living. For example, people in a village in Bangladesh spend seven percent of their incomes on phone services, something people in developed countries do not (Prahalad and Hammond, 2002). However, the final decision is based upon the consumer's budget and lifestyle (Hankinson and Cowking, 1996). Even if so, Manrain et al. (2001) challenges this statement by arguing that functionality used to be the most important factor, but that it today is secondary, especially for countries within Eastern Europe.

The priorities of consumers with low purchasing power are different than for people in the top tier of the pyramid. Choices are relatively limited for the poor as distribution channels are dysfunctional. For these consumers it has no meaning to save up for buying a home. Instead income is spent on products and services that are available at the present, weighing different alternatives that demand sophisticated economical reasoning (Prahalad and Hammond, 2002).

However, Prahalad and Hammond (2002) state that companies can help the less fortunate people at the bottom of the pyramid and be part of creating buying power. This can be done by engaging in two interventions; offering the possibility to use credit or to increase the poor

peoples' earning potential (Prahalad and Hammond, 2002). All in all, it is a matter of enabling the consumers at the bottom of the pyramid to consume. This can be achieved by inventing new methods for consumers to access goods, both in terms of accessing the products and taking varieties in consumers' incomes into consideration (Prahalad, 2005).

3.5.3. Brand awareness

One of the primary aims in marketing is to generate and retain brand awareness (Macdonald and Sharp, 2000). A company needs to understand how well the target consumers are aware of the product or brand that is being offered as different levels of awareness influence the consumers' willingness to purchase a product or brand (Hankinson and Cowking, 1996). This is especially vital when discussing low-involvement products as consumers are less involved in seeking information when it concerns this type of purchase decision (Macdonald and Sharp, 2000). Instead, product attributes such as an attractive pack design, a focus on ingredient characteristics and the ease by which the product can be obtained, should be emphasised (Hult et al., 2000).

The brand awareness of consumers within emerging markets is ambiguous. On one hand, consumers prefer purchasing Western brands instead of domestically made products. The reason for this is to show status or prestige and letting the purchased item act as a risk reducer. On the other hand, the brand name itself is of minor importance when making a purchase decision (Ettenson, 1993). Within consumer groups associated with low awareness, the focus should remain on providing consumers with information and incentives to trial. In segments of high awareness promotion should rely on building and maintaining the brand proposition (Hankinson and Cowking, 1996).

3.5.4. Consumer value and consumption behaviour

It is becoming increasingly difficult to understand consumers and their needs due to a more complex and less homogeneous world (Hankinson and Cowking, 1996). However, the most important task for a company is to create perceived value for the consumer and a tool for this is to use the value equation (Keegan, 1999) in *Fig. 7*.

V = B/P

where: V = value
B = benefits
P = price

Fig. 7: The value equation, Keegan, 1996

The value perceived by the consumer can be increased in two ways; through increasing the number of benefits associated with the brand or by reducing the price. If a company pursues both strategies, a very advantageous position can be reached compared to competitors. If a company's product is perceived by the consumer to have higher value than competing companies, it can in turn increase the price of the good (Keegan, 1999).

3.5.4.1. Customer-perceived value

Customer-perceived value is defined as the ratio between perceived benefits and perceived sacrifice. The sacrifice includes all the costs faced by the consumer in the purchase of a product. The customer-perceived benefits include all physical and technical attributes and functions that the good consists of (Monroe, 1991 in Ravald and Grönroos, 1996).

Customer-perceived value: $\dfrac{\text{Perceived benefits}}{\text{Perceived sacrifice}}$

A consumer's total satisfaction is based upon the level of perceived value gained by purchasing a product. Here, value can indicate both pricing and value for money and is relative to other competitors' offerings (de Chernatony et al., 2000). Therefore, it is important for a company to maximise the perceived value for its consumers (Ravald and Grönroos, 1996) with the intention to create a competitive advantage (de Chernatony et al., 2000). In order to succeed in creating perceived value the company must understand consumer needs and demands (Ravald and Grönroos, 1996). Consumers in emerging markets show a tendency toward valuing core attributes of a product the most, compared to consumers in developed markets who focus on e.g. additional services (Hult et al., 2000).

When discussing how to create value for consumers in emerging markets, Prahalad (interviewed by Dearlove, 2004) argues that MNCs need to create a co-creation of value. Co-creation is when a company creates value together with the consumer, which does not mean that a company must be consumer-oriented. Co-creation is instead about targeting consumers and being open-minded, enabling consumers to be problem-solvers together with the company. In this sense, both parties create and extract value. This, in combination with providing the consumer with an experience, is the central point as consumers within these markets are highly value conscious as they can not afford to take risks when making a purchase. Hence, they are more concerned about the experience the brand has to offer (Prahalad interviewed by Dearlove, 2004).

3.5.5. Consumer loyalty

Consumers judge brands according to four complementary views; a visual identifier, a guarantee for consistent quality, a shorthand device and an expression of self-concept (de Chernatony and Dall'Olmo Riley, 1997). Brands that are successful in the minds of consumers are able to build a relationship with the target customer. The relationship evolves around the brand's ability to satisfy consumers' needs, both physically and psychologically by providing branded goods that offer the right mixture of functional and symbolical values (Hankinson and Cowking, 1996). When a consumer-brand relationship is built and maintained successfully this will result in consumer loyalty (Kotler, 1991). However, East et al. (2005) states that loyalty is created through a combination of the consumer's behaviour and attitude.

There are four levels of loyal consumers; hard-core loyals include consumers who buy the brand repeatedly; soft-core loyals are consumers who are loyal to a restricted amount of brands, mostly two or three brands. The third level is shifting loyals who are consumers that constantly shift their loyalty between brands, and the least loyal people are switchers, who are not loyal to any brand (Kotler, 1991).

However, as many emerging markets relatively recently have opened up for trade, many new companies have entered these markets with a large range of different brands and products (Manrain et al., 2001). With the pace of the development of these markets, consumers are becoming more sophisticated (Bhattacharya, 2006) and more demanding towards new products (Manrain et al., 2001). Fast paced demand for products is not always positive for

companies. For example, the economic boom in China resulted in rapidly expanding the product ranges, which has made consumers less loyal to brands (A.T. Kearney, 2003).

Loyalty creates word-of-mouth (East et al., 2005), which is an important factor in the purchasing decisions of consumers in emerging markets. Consumers must be confident that the product they are thinking of purchasing is something they want, as the purchase will have a large impact on their economy. If someone they know speaks well about a product it is a guarantee of the product's value creation (Prahalad interviewed by Dearlove, 2004).

3.5.5.1. Creating trust

Prahalad (2005) discusses the issue of creating trust in emerging markets, which is a necessary prerequisite for developing these markets. Consumers at the bottom of the pyramid have generally felt mistrust against the big MNCs and vice versa. For example, MNCs have assumed that the poor consumers of these markets do not pay their goods on time, although this has proven not to be the case. Suspicion and prejudice need to be addressed and exchanged to trust between consumers and MNCs, where the delivery of world class quality is one approach through which trust can be achieved (Prahalad, 2005).

3.6. Summary

The theory chapter has been built upon four cornerstones, derived from Prahalad's (2005) work; globalisation, emerging markets, branding and consumers. In the theory chapter we have identified specific elements for each of the cornerstones respectively which we believe are vital for understanding the underlying perceptions of consumers.

We have further learnt that perceptions are influenced by experiences, ideology and management practices (Prahalad, 2005) whereby we find that three of our cornerstones – *globalisation, emerging markets* and *branding* – constitute the context which influences managers' perceptions of *consumers*, which is the fourth cornerstone (see *Fig. 8*). Hence, we view it vital to discuss the three cornerstones and the elements included in these in relation to the consumer as it is our opinion that perceptions can not be looked upon in isolation.

Perceptions formed in the context of:

- Globalisation
- Emerging markets
- Branding

... will lead to reveal managers' perceptions of:

- Consumers

Fig. 8
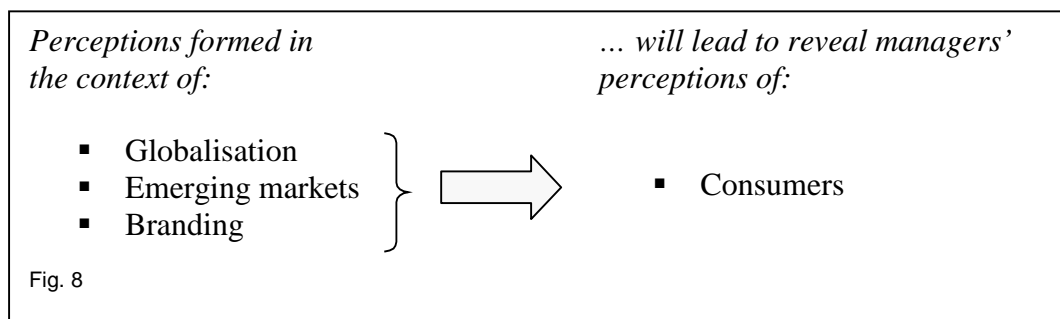
The elements from the theoretical framework that we believe to be most important in order to capture managers' perceptions regarding the consumers will be presented below. These elements will cover those areas in which empirical data will be collected and analysed with the intention to reveal perceptions regarding consumers in emerging markets. In order for the

empirical data collection to focus upon aspects of the consumer we had to do a few rearrangements in terms of which elements that should belong to which cornerstone. Therefore, elements which were accounted for in *3.5. The Consumer* will appear under the cornerstones of emerging markets and branding as the consumer is closely interlinked with these cornerstones. The resulting elements belonging to each cornerstone are:

Globalisation

- Consumer culture
- Homogeneity vs. heterogeneity
- Consumption

Emerging markets

- Views of emerging markets
- Opportunities and challenges
- Purchasing power
- Consumers

Branding

- Brand identity
- Brand awareness
- Value
- Loyalty

Perceptions regarding the Consumer

The elements belonging to globalisation have been derived directly from *3.2. Globalisation*. Continuing with emerging markets, the element "Views of emerging markets" includes all aspects looked upon in *3.3. The emerging markets* and aims at revealing managers' overall perceptions regarding the emerging markets in which consumers are targeted. The element of "Opportunities and challenges" derives from the discussion in *3.3. The emerging markets*, which touches upon both opportunities and challenges, and sections *3.4.4.* and *3.4.5.* which look upon opportunities and challenges for brands in emerging markets. Hence, this also shows the close connectedness between the sections in the theory chapter. The two last elements ("Purchasing power" and "Consumers") within the cornerstone of emerging markets are derived from *3.5. The consumer*. These elements can be used to describe the situation of emerging markets as such but are also linked to how consumers in these markets may be perceived.

The cornerstone regarding branding constitutes one element ("Brand identity") that clearly derives from *3.4. Branding,* whereas the remaining three ("Brand awareness", "Value" and "Loyalty") are connected to section *3.5. The consumer*. We believe that the brand plays an important part in the success of these elements as there is a strong connection between the elements and creating relationships (Hankinson and Cowking, 1996) and benefits associated with the brand (Keegan, 1999). Thereby, the brand can be viewed as a tool in these processes. Other elements (such as e.g. brand transfer) that have been discussed in the theory chapter may not appear as an element directly linked to any of the cornerstones. The reason for this is simply that we may not regard the connection to gaining consumer perceptions as strong enough. However, we believe that the knowledge of other theoretical elements in the theory

chapter is necessary for understanding the concept of e.g. branding as such or needed for a complete picture of our theoretical framework.

As managers need to challenge their perceptions and, hence, dominant logic in order for MNCs to see the opportunities of emerging markets we have chosen to summarise the elements above in a graph (*Fig. 9*).

The reason for this is to further describe the elements on the horizontal axis in relation to what degree these elements capture consumer insights on the vertical axis. We believe that consumer insights are what Prahalad (2005) means are needed in order for MNCs to challenge current perceptions and assumptions regarding consumers in emerging markets (for MNCs' assumptions; see p. 25).

Fig. 9
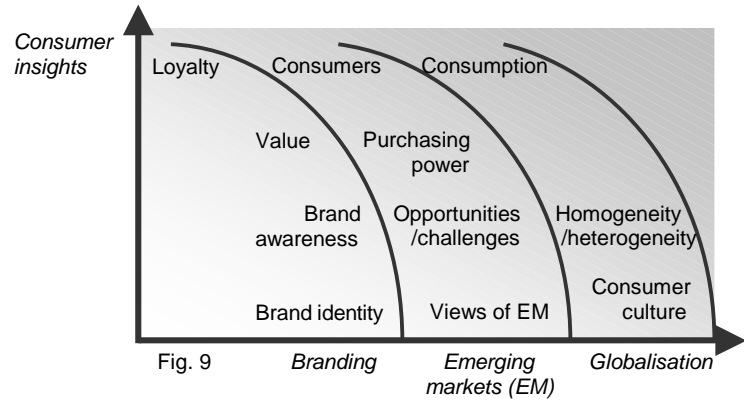
On the horizontal axis, the graph is divided into the different cornerstones. The further one looks to the right on the horizontal axis, the broader the perspective of the cornerstone. Globalisation therefore provides the broadest perspective and also a broader, more general view of consumers. Branding is thus seen in a more narrow perspective where the elements have a direct connection to the individual consumer.

Moreover, the further up one climbs on the vertical axis in the graph, the more profound knowledge one has about the consumers and their situation. This information is more difficult to obtain further up in the graph; however, the more crucial it becomes to access this knowledge. Hence, we believe that the top three elements; "Consumption", "Consumers" and "Loyalty" require the most profound consumer insights for each of the cornerstones. For example, we consider the element of "Loyalty" to require profound consumer insights due to the fact that it requires that a relationship can be built with the consumer (Hankinson and Cowking, 1996).

4. Participating brands and organisations

In this chapter we will present to the reader the brands and organisations that have participated in our study and from which we collected the empirical data from.

> *"Multinationals will change life in emerging markets dramatically.*
> *The opposite is also true."*

(Prahalad and Lieberthal, 1998, p.1)

4.1. Presentation of Brands and Organisations

4.1.1. Presentation of Brands

In this thesis we have interviewed representatives for the following brands:

- Tena
- Libresse
- Libero
- Orkla Foods (including a large number of brands)

Following is a short presentation of each brand that the investigation has focused upon.

- *Tena - incontinence products*

Tena includes products used for various degrees of incontinence; from mild bladder problems, to more severe incontinence problems. The brand has a premium position and is sold at various locations; in retail outlets, pharmacies, in special shops for healthcare products and is also used in institutional care. The product portfolio is extended to also include products for skincare and cleansing. All products are marketed with one brand name, Tena, but products for the US retail sector are today marketed under the name Serenity by Tena.[8]

Tena has a global market share of 26 percent and is thereby the world's leading supplier of incontinence products. Tena's products are available in almost every developed country, i.e. more than 90 countries (www.sca.com, 2006-04-18) Furthermore, Tena has further expansion plans, especially for the Asian, Eastern European and Latin American markets (SCA Annual report 2005).

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[8] Please view appendix 3 for further information about the brands.

- *Libero - baby diapers*

Libero is a premium brand that manufactures diapers for babies that are both open baby diapers and pant diapers. Within the Nordic region, Libero is the market leader and the Libero brand is used across Europe. For the South Asian market, the brand is active with a value segment of open diapers under the brand name Drypers. This market does also have a premium brand, Drypantz. In New Zealand, the brand is active with the Treasures brand. Both Drypers and Treasures hold leading positions in their markets[9] (www.sca.com, 2006-04-18).

Globally, Libero is sharing the number two position with a market share of 15 percent and the products are sold in approximately 50 countries (www.sca.com, 2006-04-18) Furthermore, Libero has identified opportunities for expansion within Asia, Latin America, Africa and Russia (SCA Annual report 2005).

- *Libresse - feminine hygiene products*

Libresse is a premium brand and has a wide assortment of feminine hygiene products including pads and panty liners. The brand uses a wide range of brand names, from Libresse within the Nordic countries, to Bodyform, Nana and Nuvenia within other countries in Europe. Saba, Nostros, and Libra are the brand names used for the markets outside Europe.[10]

Europe is Libresse's largest market, where it is the third largest supplier. Sales are conducted globally within several countries in Europe, Latin America, Australia and New Zealand (www.sca.com, 2006-04-18). Furthermore, Libresse has identified growth opportunities within Eastern Europe, Latin America and Asia (SCA Annual report 2005).

- *Orkla Foods*

Orkla Foods is engaging in activities such as developing, manufacturing and marketing, where it provides the grocery, catering and industrial markets with food products. Orkla Foods includes brands such as Abba Seafood, Felix, Grandiosa, etc[11].

Today, Orkla's market positions are strongest in Norway and Sweden (www.orkla.no, 2006-04-24). However, Orkla Foods is in a growth phase where it focuses on expanding to new markets and categories (Orkla Annual Report, 2004), where markets in Eastern Europe are believed to be most promising. Orkla Foods are active within emerging markets such as the Baltic states, Poland and the Czech Republic (www.orkla.no, 2006-04-24).

Orkla brands are active within several markets but with different names. To apply the Abba brand as an example: On the Swedish market Abba Seafood is famous with brands such as Kalles kaviar and Abba, on the Danish market the brand Glyngøre is well known, in Norway the products use the name Bjellands. In Germany Woldemar and Abba are well-known brands and for the rest of Abba Seafood's export market, the brand name Marina is used (Orkla Annual report 2004).

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[9] Please view appendix 3 for further information about the brands.
[10] Please view appendix 3 for further information about the brands.
[11] Please view appendix 3 for further information about a few brands.

4.1.2. Presentation of The Swedish Trade Council

The Swedish Trade Council was founded in 1978 and is a joint cooperation between the government and the business society. The aim is to help Swedish companies with exports and businesses with other countries, as to identify suppliers, provide answers to questions concerning Swedish exports and how to establish a position abroad (www.swedishtrade.com, 2006-04-24).

In this thesis we have interviewed representatives for the following councils:

- Latvia
- Hungary

Below follows short presentations of each council that participated in the investigation.

- *Latvia*

Since Latvia became independent in 1991 significant transformations have occurred within the country and the way business is conducted. In 1991 no Swedish companies had established business in Latvia but by the year 2002, 560 Swedish companies were registered and the import from Sweden was estimated to 238 m Euro. Sweden is hence an important trading partner for Latvia and is also the next largest investor in the nation.

However, the Latvian market is relatively new and it offers good opportunities for companies that want to establish their businesses in Latvia. There are two reasons for this; relatively low competition and cost effectiveness, as an average salary was USD 405 in July 2004 (Marknadsintroduktion Lettland, 2004).

- *Hungary*

The relation between Sweden and Hungary is well established and Sweden's exports to Hungary grew by ten percent between the year 2004 and 2005. In addition, around 90 Swedish subsidiaries are currently established in Hungary, complemented by 350 to 400 joint ventures together with a Swedish involvement.

Today, Hungary can identify various factors involved in strengthening the country's economic situation such as increased consumption and growing exports. Furthermore, the entry into the European Union in 2004 augmented the modernisation within the environment, infrastructure and agriculture (www.swedishtrade.com, 2006-04-24).

5. Joint Discussion

In this chapter we will guide the reader through our gathering of empirical data and simultaneously analyse the material. The analysis is built upon the cornerstones which form the foundation of our theoretical framework. We end the chapter with a summary of important aspects of managers' perceptions accounted for in the discussion.

"When the poor are converted into consumers, they get more than access to products and services. They acquire the dignity of attention and choices from the private sector that were previously reserved for the middle-class and the rich."

(Prahalad, 2005, p. 20)

5.1. Introduction

We will aim at providing an answer to our purpose through accounting for and analysing the elements in our graph (*Fig. 10*). These elements were identified in the theoretical chapter. Below, each element will be discussed and analysed through the same structure that was presented in *3.6. Summary*.

Fig. 10   *Branding*   *Emerging markets (EM)*   *Globalisation*
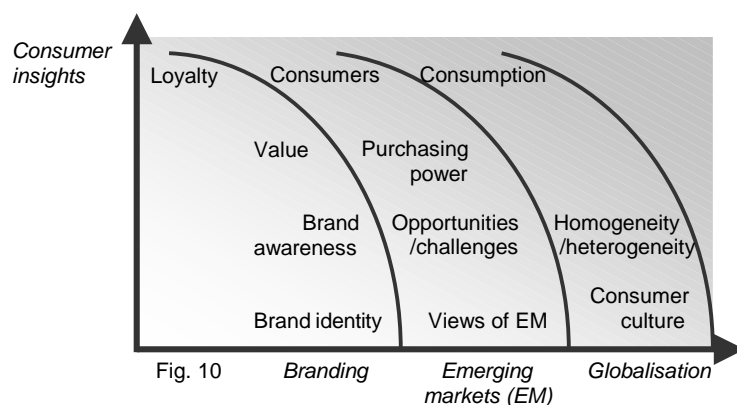
The choice of presenting and analysing the empirical findings simultaneously is due to our desire to make it easier for the reader to follow and comprehend the material accounted for. Further, we believe this approach will reduce the extent of repetition that we believe separating the empirical studies and analysis would impose. Each section will end with a summary of those perceptions of managers that we find most interesting.

5.2. Globalisation

5.2.1. Consumer culture

Despite the fact that we are discussing emerging markets the issue of culture is hardly mentioned by the respondents. Occasionally one of the respondents touches upon the term culture but does not continue for long in this area. We believe that a possible reason for this

can be that potential differences in culture are not viewed as challenging. One of the managers means that e.g. dissimilar business climates are managed through local presence and by the involvement of people who are familiar with specific markets. Hence, our interpretation is that the issue of consumer culture is considered solved by the managers as help in understanding culture has been provided for.

The cultural aspect is, however, indirectly elaborated upon by the marketing and innovation manager of Orkla Foods Baltic who discusses the importance of adapting brand names to serve local conditions within emerging markets. According to the manager, the brands of Orkla Foods should be and act as local brands. It is the manager's strong belief that consumers need the brand to feel local and this is especially necessary when targeting older consumers as they have learnt to live without brands for a larger part of their life. Brands are just a recent phenomenon within stores in certain emerging markets. We believe this could be a consequence of what Appadurai (1998) views as consumers wanting to create a group identity through culture.

However, the other managers did not express this need of creating brand names to suit local conditions. We believe this could be a result of two things; either the managers think the brands have a strong awareness among consumers and therefore do not need to adapt. Nevertheless, in order for consumers to purchase the good, the product has to uphold traditional values (Eckhardt and Mahi, 2004). The other option is that managers may judge the culture within these markets as similar to the brand's domestic market with regards to brand name. Therefore, managers do not see the need of adapting this brand trait. In this sense we believe managers may think that the emerging markets have developed etnoscapes (Appadurai, 1998) and, thus, that consumers have knowledge about other parts of the world and the existence of global brands. However, we got the feeling that the managers want to take advantage of producing locally within the emerging markets with the intention of achieving lower production costs for their brands and in this sense taking advantage of the technoscapes (Appadurai, 1998) the emerging markets has to offer.

It seems to us that the managers have control over parts of consumers' culture, as adaptation of communication and pack design are made. Even though not all managers adapt the brand concept to the emerging markets, some managers have considered whether or not this was needed. As we also interpret culture being viewed by the managers as an issue that needs to be managed, it could imply that even though companies adjust some elements in the brands, the adjustments are merely made in order for the consumer to accept the product and, thereby, a potential purchase of the good. In the long-term, when the time is right, the aim for managers is to reach higher revenue levels through a standardised brand concept.

Perceptions of managers that we have identified:

- Consumer culture is not an issue.
- Consumer culture can be standardised.
- The aim of local production is to lower production costs.

5.2.2. Homogeneity vs. heterogeneity

According to one manager, there is an aspiration for positioning the brand on a global level where the platform of the brand should also be global. The global aspiration affects the brand name which is likely to become the same across the world. In the long-term, the global model will become standardised where the brands and the focus should be the same everywhere, with only minor differences between markets to suit local conditions. However,

"(…) one size fits all does not work today".

(Manager)

According to Appadurai (1998) standardisation of advertising is a concept within globalisation. Hence, we view that another priority of managers is to build a completely global company through global brands and standardised brand offers. An entirely standardised concept is what McDonaldization is referring to and this would indicate standardised processes that enable efficiency, predictability, control over labour and calculability (Ritzer, 2004). The managers spoke about some of these advantages indirectly. The synergies the managers referred to are based upon creating efficiency within the organisation in terms of adapting ideas from employees around the world. The result would be a creation of processes that will reduce costs, which resembles Ritzer's (2004) concept of calculability. We believe that this implies that managers have a relatively thorough understanding of the advantages that standardisation can offer and how a standardised brand offer can be designed.

One manager discusses whether or not to standardise an offering by referring to the fact that a brand should act as a local brand. Therefore, the manager states that parts of the offering are to be created on a local level. An expert emphasises that the consumer experience of the brand ought to be the same across markets even though adaptations are made.

"One[12] must have a common theme. One should not overadapt the brand to every market (…) The entire experience should be the same."

(Expert)

Nederveen Pieterse (2004) argues that a brand concept can only become successful when it has been adapted to the local reality and, indeed, we believe that the managers do have profound knowledge regarding the possibilities of adapting a brand concept to emerging markets. We think that the managers have identified the areas which need to be adapted and that can remain standardised. Nevertheless, due to the managers' aim of standardising a brand concept, it is our interpretation that managers do not adapt to local conditions more than necessary, still imposing Western beliefs on the consumers in emerging markets. The action of imposing the Western lifestyle is a part of globalisation where the standardised concept is weakening a well-rooted local culture (World Bank, 2002). In this sense, we believe that if a brand concept is to succeed within emerging markets, with a relatively standardised concept, managers may think that when entering the next market an even more standardised brand offer could be the source to generating success. Thereby, managers may in the end believe that the "global consumer", discussed by Cui and Liu (2000), exists. However, no such thing as a global consumer exists (Cui and Liu, 2000).

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[12] Here; "One" is referring to the brand.

Concerning standardisation versus adaptation of brand offers, the managers' discussions were merely focused upon the opportunities and challenges that standardisation could impose for the brand. The consumers within emerging markets were not mentioned. Hence, we believe that the humanising aspect in these conversations were lacking. The managers want to standardise as much as possible within the brand concept in order to create synergy effects and ultimately reduce costs. However, according to Paul (2000) global expansion is managed most efficiently by adapting to local market conditions around the world. Furthermore, this approach, from the bottom and up, proposes greater prospects of generating revenue (Paul, 2000). However, the managers did not seem to think that adaptation could result in greater revenues. Neither of the managers discussed the issues of a completely standardised brand offer nor the negative effects that standardisation can inflict upon consumers within emerging markets. These negative effects include McDonalidization and destroying parts of the local culture that the inhabitants have built up (Ritzer, 2004). In this sense, we believe that there is a risk that managers are not considering the best solution for consumers with regards to adaptation and standardisation. Thus, we view that the managers' focus is likely to be on the brand and how to make the most of the brands capabilities.

Perceptions of managers that we have identified:

- Brands should aim towards a global strategy.
- Parts of the offering to consumers are to be created on a local level.
- Belief in the global consumer?
- Standardisation is important in order to reduce costs.

5.2.3. Consumption

Globalisation is generally viewed by the respondents as a means to increase consumption across markets. As growth in developed markets can no longer be found, companies must find growth elsewhere whereby emerging markets offer such an alternative.

> *"It is there where we can grow."*
>
> (Manager)

In terms of attracting consumers it is our opinion that an increased degree of innovation is necessary. In order to reach these consumers we believe that the managers must aim for understanding the reality of underserved consumers and the weight that they put on e.g. being provided with an experience through consumption (Prahalad interviewed by Dearlove, 2004). We further think that it is a matter of being proactive on emerging markets – to be "out there" – and to find ways to get close to the consumers. When new products are launched in emerging markets companies must know how to create an offer that is in line with the consumers' local values and traditions in order for consumers to accept the goods (Eckhardt and Mahi, 2004). Nevertheless, we did not sense that managers prioritised this, as merely adaptation of communication and sometimes brand name was mentioned. Instead, we got the feeling that brands were not well adapted to the consumers – even though managers are aware of how adaptation is done. We believe that managers to a large extent view adaptation as a cost and that it therefore should not be highly prioritised, whereby a standardised concept is considered as more advantageous. This lack of willingness to adaptation could, according to

Eckhardt and Mahi (2004), result in consumers rejecting the products offered, as consumers in emerging markets do not blindly imitate Western lifestyle and consumption patterns.

One manager spoke about the potential of local production. We interpret this as mainly a wish to reduce production costs, which in turn would reduce the price on the products. However, there is obviously no action that can simply be viewed as "good" or "bad" as companies placing production to emerging markets indeed has led to problems (Klein, 2000). Nevertheless, we believe that by providing the consumer with a product at a lower price, which can be done through local production, a company can contribute to improving the market. This is also what we believe that Prahalad (2005) is after when he argues for MNCs participation in emerging markets in terms of contributing to improvements and creating consumers' purchasing power through the generation of jobs (Prahalad and Hart, 2002). It is likely that the managers in the study and many MNCs in general are not quite there yet due to the lack of comments within this area. However, we view the managers' will to lower the product price as a step in the right direction.

Perceptions of managers that we have identified:

- Globalisation is a means to increase consumption across markets.
- Adaptation is mainly viewed as a cost.
- Contributing to improving consumers' purchasing power is not a priority.

5.3. Emerging markets

5.3.1. Views of emerging markets

All of the respondents seem to view the emerging markets as a place for growing their businesses and increase profits.

> *"(…) increase in sales is probably what is most interesting."*
>
> (Manager)

The prospect of improvements in the economy of these markets is clearly one driving force for establishment, according to the respondents. The general opinion is that the positive economical development will benefit the revenues of the company one is representing and increase the market share of the brand and, thus, create economies of scale and scope.

Another general view of emerging markets is the number of potential consumers that these markets offer. The lack of penetration is by one manager mentioned as a key characteristic of these markets whereby the potential of increased revenues are again put in the centre.

Our interpretation of the respondents' views is that establishing in emerging markets is a must; both for increasing revenues through targeting a growing population of consumers and for keeping one's current position. Therefore, the respondents' attitude towards emerging markets is largely based on the first part of Rahman and Bhattacharyya's (2003) definition of emerging markets; that it is a market that promises significant growth. It is clear to us that the

respondents know that the profit potential is there. However, even though the discussions concerning emerging markets were focused around increased profits and growth, the managers had a vague knowledge regarding how to become successful.

> *"That is the million dollar question."*
>
> (Manager)

However, one manager expressed concern in regards to what the situation would be if they were not active within these markets:

> *"If we are not on a market it is just a mathematical equation that in twenty years or ten years later we will not be the market leader anymore, simply because we are not on the large markets."*
>
> (Manager)

Due to the above comments, we believe that there is not yet a fully mapped out strategy for establishing in emerging markets. It seems that managers view the risk of losing potential profits to be greater than the fear of entering these markets without a detailed plan. The view offered by managers is not surprising. Prahalad and Lieberthal (1998) emphasise the importance of presence in emerging markets as this is to be viewed with a long-term perspective in mind. In our opinion it could therefore be that having a clear picture is not needed – or even necessary – but rather, that being in these markets and practicing some kind of learning-by-doing mindset is what matters and what ultimately can lead to success. However, we view managers' mindset as being merely short-term and not as being long-term which Prahalad and Lieberthal (1998) emphasise. We view this short-term mindset to be dangerous, as companies then only think about generating profits and not about consumers' demand and acting in a sustainable way.

None of the respondents mentions a view on emerging markets that aims towards wanting to make a difference in these markets, such as a desire to increase underserved consumers' standard of living. We believe that this may be a result of managers lacking knowledge of how to contribute to the market. Furthermore, we deem managers' passivity for enhancing consumers' standard of living to be a result of the strong faith that managers put in the markets' ability to improve their economic situation, even without their help. Hence, it may be that managers view potential actions from their side as unnecessary. However, one manager touches upon this issue by speaking of the importance of challenging consumers.

> *"We challenge the consumer and tell them that, damn, they should expect more."*
>
> (Manager)

The brand manager for Libresse told us that they are trying to challenge the status quo existing in the European market. Hence, Libresse is trying to be more provocative and changing the view of the brand towards *"proud, inspiring, challenger"*. The manager made a clear distinction between being a "challenger" and being "challenging", where being a challenger has a positive meaning; both in terms of acting as a challenger towards competitors and consumers. Thereby, Libresse should always strive for a better market position and encourage consumers to demand more than mediocre products. Hence, it is our interpretation that Libresse is trying to change the attitude and lifestyle of consumers. Our reflection is further that this manager may have rethought the impact and role of the brand as a means to support consumers in becoming more demanding. As Prahalad and Lieberthal (1998) ask for a

change in how MNCs view their business models, rethinking the impact that the brand could have on consumer in the emerging market is a start in this process.

Perceptions of managers that we have identified:

- Making a difference in emerging markets is not prioritised.
- Brands should act as challengers.
- The brand could function as a support in making consumers more demanding.

5.3.2. Opportunities and challenges

- *Opportunities*

One manager argues that the main opportunity of emerging markets is the possibility of growing the brand as there are no prospects of growth in more developed markets. Another manager expresses the importance of being first-to-market and the opportunities that emerging markets can offer.

> *"First-to-market is one of the most important things in marketing (…) There is a great opportunity and if we do that with a brand we have a chance to take a huge position."*
>
> (Manager)

A majority of the managers do not explicitly discuss the concept of being a first-mover. Instead, the managers speak of opportunities such as increase in penetration and the importance of gaining a good position within these markets, which is being viewed as highly important when income level increases. One expert agreed upon this statement and implied that a first-mover advantage becomes significantly larger within emerging markets than in developed markets. This is further supported by Rahman and Bhattacharyya (2003) who mean that a first-mover advantage and top of mind position can be obtained in the emerging markets. In the long-term these can create a competitive advantage (Rahman and Bhattacharyya, 2003).

The experts also emphasise that the opportunities of emerging markets must be looked upon in a long-term perspective. A large group of consumers are not yet able to afford expensive goods, however; the same consumers will be highly interesting in the future due to the economic development of their countries, according to the experts. Therefore, the experts mean that companies must be realistic about what volumes they can achieve, especially in the short-term. In our view, the managers did not consider low short-term profits as an issue as they strongly seemed to believe that greater revenues could be generated with increased purchasing power of consumers. This is a tendency towards a long-term mindset, however; we view it as a rather passive mindset as no actions are mentioned that involve contributing to improving the situation of the consumers or the market as a whole.

A result of penetrating emerging markets at an early stage and attaining an efficient position mean possibilities of creating loyalty, which is also viewed as an important opportunity by the managers. However, as rapid expansion is occurring in emerging markets (A.T. Kearney, 2003) we believe that it is likely that a first-mover will not be alone in a specific product range for long. Therefore, as the expansion makes consumers less loyal to one particular

brand (A.T. Kearney, 2003) we believe that MNCs can not rely on the power of being first-to-market anymore. Instead, we believe that companies must continuously strive towards maximising perceived value for consumers (Ravald and Grönroos, 1996) in order to generate value creation that will be sustainable in the long-term. We believe that it could also be that managers put their faith in being first-to-market due to the fact that all managers view emerging markets as relatively undeveloped, whereby entering these markets is a must. One expert expresses an opposing opinion concerning the situation within emerging markets:

"Some companies (…) have a picture of that they[13] are more emerging than they really are in the sense that the competition is low (…) and this is not really the case. There is a fierce competition on the consumer side. (…) It is absolutely not a virgin territory."

(Expert)

Furthermore, first-mover advantages also embrace incentives such as immeasurable contributions to humanity (Prahalad and Hart, 2002), which was not mentioned by the managers. We believe that the reason as to why no one discussed opportunities of contributing to humanity could be a result of managers not believing that they can, or even should, give such contributions. We find it likely to believe that the prevailing mindset among managers is that it is not their role to improve the lives of the poor, except for providing consumers with products that may create a better life situation. Hence, we think this could mean that the managers are yet to challenge their own mindsets and rethink what their role could be in emerging markets.

- *Challenges*

The situation of consumers is rather looked upon as a challenge, or an issue, in terms of how to attract the consumers at the bottom of the pyramid and the time it will take before investments start paying off. One manager also expresses the difficulty of establishing a premium brand and thereafter stretching it in order to reach consumers with low purchasing power. The problem is described as an inability to produce locally which in turn leads to higher costs of production, resulting in difficulties of offering the consumer a low price. As managers do only think that a solution can be created if producing locally, we believe managers block their mindset by not being innovative enough. Again, we believe that it is here that Prahalad and Lieberthal's (1998) idea of rethinking the whole process of doing business comes in. We believe that a keyword in this process is to be innovative and to create a culture in the company that encourages and promotes "out-of-the-box-thinking". This is what Prahalad (2005) refers to as challenging the prevailing dominant logic of managers. This mindset would imply that managers do things they have never done before. Managers would consider how to help underserved consumers by providing innovative products to a lower cost. But, as we believe managers today are likely to have a slightly conservative mindset, they may possibly miss opportunities through which they would reach more consumers, enhance the living conditions of the poor and at the same time increase profits. Hence, we got the feeling that the managers are waiting for the commerce to develop in emerging markets which will lead to more sufficient distribution of goods.

One expert states that one of the challenges of emerging markets is the mixture of different cultures in these markets which create differences in consumer behaviour. Hence, we believe it to be likely that managers need to look upon one emerging market as consisting of a number

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[13] Here; "they" is referring to the emerging markets.

of domestic markets with different stages of demand. According to Miller (1998) each market must be assessed through physical, socio-political and economic characteristics in order to find the right approach. However, according to Nakata and Sivakumar (1997) many MNCs make the mistake of viewing e.g. Asia as one market, not considering the factors that an emerging market is built upon. Furthermore, Miller (1998) states that one has to take into consideration the demand of the market. The graph (*Fig. 11*) constructed by Miller (1998) shows that demand of a market is depending on the economic progression of the market. In our view it would also be possible to place diverse consumer segments (CS 1, 2, 3) into the graph as many emerging markets are highly heterogeneous (Nakata and Sivakumar, 1997). This illustrates that differing consumer segments are also present in various demand stages. Further, it means that consumers with the lowest purchasing power, hence, those at the bottom of the pyramid (Prahalad and Hart, 2002), belong to the pre-emerging market segment. With increased purchasing power, the further up in Miller's (1998) graph the consumer can be found and the more advanced are the products demanded by consumers. As Prahalad and Hart's (2002) consumer pyramid also tells us that most consumers of many emerging markets are found at the bottom we believe that these consumers indeed ought to be viewed as a challenging opportunity more than as a problem or challenge in the negative sense of the word.
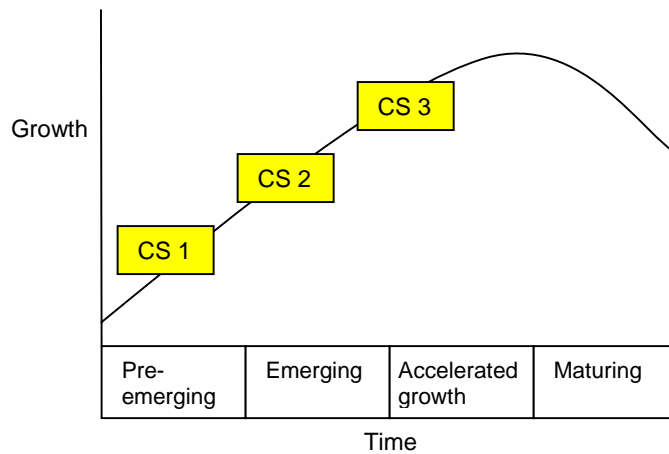

Fig. 11: Phases of the emerging market, Miller (1998), p. 6, altered

Due to the different consumer segments, we believe that this may have created a possible confusion for managers as all segments demand different types of products. Hence, we believe it is more vital for managers to have a thorough understanding of who their consumers are and in which segment or segments these consumers belong to. We deem this to be central in order to understand how to reach the consumers and to solve the challenge that lies within understanding consumer needs. However, Swystun (2005) means that companies sometimes make the mistake of assuming that their brands communicate the same meaning to all markets. This may result in a confused brand message (Swystun, 2005).

We believe that a misjudgement in this assessment of emerging markets could be the reason to why one of the experts argued that some companies view emerging markets as more emerging than these markets in fact are. As our respondents mainly discussed emerging markets from the economic characteristics it may be that the physical and socio-political characteristics are not regarded as issues.

Perceptions of managers that we have identified:

- The main opportunity of emerging markets is growing the brand.
- Faith is put in being first-to-market.
- The consumer at the bottom of the pyramid is viewed as a challenge.

- Emerging markets are homogenous.

5.3.3. Purchasing power

Managers believe that the low purchasing power of consumers in emerging markets affects the way consumers prioritise whereby consumption for basic needs is covered first. The restricted consumption also leads to different behaviours for consuming more expensive products and limiting purchasing to special occasions, the managers told us. This is supported by Prahalad and Hammond (2002) who state that the priorities of consumers with low purchasing power are different than for people in the top tier of the pyramid. Hence, managers seem to be very aware of the impact of low purchasing power on consumption. Thereby, we believe it to be central for all managers to understand what purchasing power their consumers have in order to track what kind of needs and wants these consumers have. This is supported by Keller and Moorthi (2003) who argue that products offered to consumers should be in line with the consumers' needs. Furthermore, pricing of products should be aligned with consumers' purchasing power (Keller and Moorthi, 2003) as products currently offered may not be suitable for the underserved consumers (Prahalad and Hart, 2002).

The middle class of several emerging markets is increasing rapidly whereby one expert means that new consumption behaviours are visible. This means that there is a larger population of consumers that can afford more than paying rent and food. However, the expert also raises concern over the fact that there are many consumers who take on loans in order to be able to increase their consumption. One manager speaks about the increases in economy and distribution of wealth in emerging markets as a political question. Indeed, the purchasing power is likely to increase but will probably not be shared equally, this manager argued.

As purchasing power has a significant impact on the offering to consumers, we were told by several managers that product offers are based upon the market dynamics and through offering different ranges of the product itself. All managers speak in terms of "premium" and "value" offers that are provided to different consumer segments. The manager for Tena told us that the brand offer must be adapted to suit the purchasing power within some markets. Therefore, Tena has launched a value concept (Tena basic) for the South American and Asian markets in order to attract new consumers to purchase the brand.

However, even though managers discussed consumers with low purchasing power and the issues this causes for their brands, not many managers considered creating a value assortment for all emerging markets, or to sell products at a very low price. One manager said:

> *"It is not in our policy to sell cheap, but to earn money."*
>
> (Manager)

We believe that managers are aware of the fact that the potential for profit is comprised into emerging markets due to the large populations of consumers. However, we are not convinced that managers think of low purchasing power in Prahalad and Hammond's (2002) terms, who argue that consumers' aggregated purchasing power is in fact significant. As consumers in emerging markets spend a large part of their incomes on consumption (Prahalad and Hammond, 2002), it is our belief that a value assortment for approaching these consumers is even more important. In the discussion regarding prioritising consumer segments, one manager uttered:

> *"The purchasing power is much lower (…) so therefore you can not reach all small consumer segments. You have to prioritise."*
>
> (Manager)

With one manager addressing consumers with low purchasing power as belonging to the "smaller segments" makes us believe that the awareness of the billions of potential underserved consumers who are waiting for, and who can afford, consumer goods (Prahalad, 2005) is not present in the prevailing mindset of today. We believe that this implies that managers want to gain increased profits today, rather than thinking what actions are good to take now in order to gain profits tomorrow. A value assortment does not currently provide huge profits. However, we believe that consumers will purchase products of higher quality when their disposable income increases, thereby changing from a value product to a product of higher quality. This opinion originates from the fact that consumers' purchasing decisions are to a certain degree based upon their budget (Hankinson and Cowking, 1996) but continuously aspire products of world class quality (Prahalad, 2005). Furthermore, we believe that consumers are likely to become loyal to the brand that they already have a relationship with. As a result, company profits will increase. Hence, we deem it important for brands to engage in a value assortment.

We also believe that the importance of offering a value assortment could be further emphasised. Several managers argued that the goal for current offers is to increase the price which would occur in line with the overall improved economic situation of the market. The fact that inflation could be the case for markets undergoing rapid economic growth and be followed by a lower demand for goods (Nakata and Sivakumar, 1997), does not seem to bother our respondents. Thereby, we deem that it could be important for managers to have a long-term approach for targeting consumers at the bottom of the pyramid, realising that consumers in many emerging markets may be in need of a value offer for a long period time. However, with the comments we received from the managers we feel uncertain regarding whether or not the long-term commitment is in reality there.

Furthermore, as the purchasing power of consumers will increase, the less focus companies aim to put on low-priced products and on product differentiation, argues one of the experts. The expert further explained that the purpose is for companies to offer what the consumer can afford in different phases of economic development. At the moment, the economic situation in emerging markets means that simpler products are offered which with time will turn more exclusive. One expert argues that solutions for improving purchasing power, such as leasing and credit, are crucial in order to serve the consumers with the lowest income levels:

> *"If you[14] can find this type of solutions that help you to reach the consumers' basic needs in some respect at an early stage this will create a rather high value."*
>
> (Expert)

None of the managers expressed a willingness to create any solutions like this. On the contrary, when we asked about how the managers thought the purchasing power would need to change in the future, one manager expressed it as:

> *"I don't know, but let's hope it does change to the better."*
>
> (Manager)

---

[14] Here; "You" is referring to the brand.

It is our interpretation that a few of the managers showed a passive approach as to how companies can improve the situation for consumers. However, we believe that managers can not wait for consumers' purchasing power to improve; by then, all competitors will be miles ahead together with a strong competitive advantage. Some managers are on their way of seeing the need for adjusting the offerings in order to cover the basic needs of consumers, e.g. by offering smaller sachets. This behaviour is in line with what Prahalad and Lieberthal (1998) are in search for; that companies rethink their way of doing business. Even though the managers are aware of the low purchasing power of consumers we feel that they are not always willing to provide the underserved consumer with alternative solutions at lower prices. We believe, however, that this would be appropriate actions to take in the emerging markets.

Perceptions of managers that we have identified:

- The low purchasing power of consumers affects how consumers prioritise.
- Short-term profit rather than a focus on the long-term gains.
- Lack of long-term commitment?
- A passive approach as to how companies can improve the situation for consumers.
- Beginning to recognise the importance of adjusting offerings to suit consumers.

5.3.4. Consumers

It was sometimes difficult to know exactly which type of consumer the respondents were referring to. On one hand, consumers in emerging markets with above average incomes were frequently mentioned. On the other hand, at times the consumer with lower purchasing power was in focus of the discussion. One manager expressed a degree of uncertainty in terms of differences in consumer profiles between markets, especially considering the emotional elements.

Even though one manager expressed the importance of knowing one's consumers in order to predict trends this does not seem to be the reality for all managers, according to us. We have collected rather ambiguous information of the underserved consumer that both shows a picture of a person who cannot afford much and an individual that is similar to consumers with normal purchasing power. Thus, on one hand managers discussed and were aware of the fact that consumers are price sensitive and that the expectations of the products are lower e.g. in terms of functional benefits. Furthermore, the managers described the consumers as not very loyal to brands and unaware of the wide range of existing brands. On the other hand, managers discussed consumers possessing a high awareness of quality:

> *"When it comes to basic products, they[15] are not willing to buy rubbish."*
>
> (Manager)

Moreover, consumers' needs were also mentioned in terms of being universal and that consumers are loyal to brands in addition to possess high brand awareness.

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[15] Here; "they" is referring to the consumer.

> *"All in all you can say that the need is universal. (…) The consumer categorisation is relatively similar."*
>
> (Manager)

The picture provided by managers is therefore fairly blurred and does not form a unified picture of who the consumers are and what they need. In our view, managers are therefore discussing different consumer segments, and as these segments are highly different from each other, the picture provided is fragmented. Not knowing who the consumer is can impose problems, according to us. We believe that it is unlikely to reach success in any market if one is not comfortable with whom the consumer is. This is also what we think is the underlying meaning of e.g. Prahalad and Hammond (2002); that prejudice and stereotypes of poor consumers must give way for the real situation and true knowledge of these consumers. Companies which do not have correct appraisal of what consumers want often overprice products and the brand offered is often viewed by consumers to lack functionality (Keller and Moorthi, 2003). Furthermore, not knowing explicitly who the consumer is can result in a brand that signals a confusing brand message, one for each consumer segment (Swystun, 2005). We believe that this may further cause a blurred brand image, whereby consumers cease purchasing a brand due to the fact that they can not trust the brand or do not know what it stands for.

One of the experts spoke about the consumers seen from a pyramid where those at the top of the pyramid are consumers with higher incomes. This top of the pyramid is smaller than the top of wealthy consumers in developing markets. Hence, there are fewer consumers who are interested in exclusive products and that can afford them, argues the expert. Hence, we believe it to be important for managers to separate different consumer segments as the life situation of the poor differs from middle and upper classes. Furthermore, products offered by companies may not be suitable for the underserved consumers (Prahalad and Hart, 2002). We also deem it important for a company to divide consumers after how high or low brand awareness they have. Companies should provide information to consumers with low awareness and supply incentives for trials (Hankinson and Cowking, 1996). According to one expert, trials are especially important, as consumers in certain emerging markets are prone to receiving concrete information regarding e.g. what the brand in fact can deliver before trusting the brand. Within consumer groups associated with high awareness focus should be on building and maintaining the brand proposition (Hankinson and Cowking, 1996).

The future consumer of several emerging markets is believed by the managers to be more similar to consumers in developed markets. This is due to the fact that purchasing power and brand awareness will increase. From the expert's point of view we were told that many consumers have not had their basic needs covered yet. Thus, we have identified that there is a great need for affordable consumer goods which may not have the highest quality but that can make these goods available to a large population of consumers.

Perceptions of managers that we have identified:

- The image of the target consumer in emerging markets is fragmented.
- Confusion around consumers' loyalty, price sensitivity and quality awareness.

5.4. Branding

5.4.1. Brand identity

The discussions with the respondents concerning the brand were merely focused around the brand name. The brand name was by most managers the sole factor of differentiation. Nevertheless, two managers speak of the possibilities of applying one brand identity in all markets as there are synergies between the different brands in terms of e.g. pack design. However, even though some managers discussed the possibility of having one brand worldwide, only one manager has an active plan of implementing a global brand strategy. The managers view it more as an opportunity for the future. One manager argues:

> *"The most dangerous thing we can do is to create one global strategy for the brand. (…) you will commit to, say, violence against the strong positions that we have around the world."*
>
> (Manager)

Even though the brand itself can influence consumers (Kapferer, 2004), brand names often come second when consumers within emerging markets are to make a purchase decision (Ettenson, 1993). We believe that the attention to the brand name is a result of managers' own knowledge regarding this area. Takeuchi and Porter (1986 in Segal-Horn and Davison, 1990) argue that the brand name is in itself easy and suitable to standardise when establishing business abroad and some managers also refer to the synergies this can create. However, according to one expert, managers may overestimate the power of their brands as most consumers are not as aware of the power these brands possess in developed markets. Hence, it is our opinion that managers believe that the brands will have the same effect within emerging markets. We believe it to be important to think in a long-term direction when being involved in changing environments which characterise the emerging markets (A.T. Kearney, 2003). In our interpretation, this can impose a problem for the brands in the long-term, overestimating their own potential and power due to only thinking of the brand's potential and not considering the consumers' demand.

When the managers discussed the brands, some of them did not mention the aspects included in the brand identity. All managers discussed the brands' physique (Aaker and Joachimstahler, 2000) in terms of pack design and functionality and a few managers discussed differentiation. One manager meant that differentiation can be accomplished through the brand and whereby the product itself does not play a significant part in this process. The brand manager for Libresse, however, told us that their differentiation strategy evolves around the fit of the product, where one can easily view which part is the front and which is the back of the towel. Libresse started to focus on the Ultimate fit about three to four years ago and this strategy aims at keeping their product distinctly separated from its competitors.

No manager mentioned the brand personality apart from one manager who discussed the importance of being a challenger. However, we felt that the conversation was focused around creating an internal environment focused on being a challenger, rather than the brand's personality being built upon the challenger trait. Even though the managers did not discuss the brand personality per se, we believe that the managers were highly aware of what their brands stand for. In our view, the managers have a thorough picture of the brand personality.

Furthermore, brand culture was not mentioned among the respondents or if the brand had to be adapted to the consumer's culture within emerging markets. However, the cultural facet includes the brand's outward signs i.e. products and communication (Kapferer, 2004). From the interviews with managers the subject of communication was regarded important. Hence, we deem all brands have a thorough communication plan for the emerging markets, resulting in a high awareness of the cultural facet within the brand identity.

Another aspect of the brand identity is brand as relationship. All respondents expressed that the emerging markets provide an opportunity to gain a large population of new consumers and increased possibilities for high penetration. One could therefore think that it is vital for the brands to create relationships with the consumers, especially those with lower incomes, at an early stage. We believe that as consumers' incomes increase, the brand that has established a relationship with the underserved consumers has an improved possibility of gaining long-term profits through these consumers. However, only one manager mentions the importance of creating relationships with the consumers, although this was not discussed thoroughly. Nor was the type of consumers the brand wants to get attention from further elaborated upon. We believe this lack of focus on building relationships can be a result of the managers' faith in the brand where the managers deem the strength of their brands to be enough for creating relationships with the consumers. Hence, no additional efforts need to be taken.

This faith in the strong position of a brand can impose a risk as the brand can be blinded by its perceived success. This blindness can result in the brand losing track of environmental changes, as discussed by the Icarus paradox (Miller, 1992 in Heracleous, 2003). Furthermore, this can result in a strategic drift that ultimately will require a radical change internally in order to regain the position formerly possessed by the brand (Heracleous, 2003). Hence, we deem it important for brands to engage in relationships with the consumers. Through this activity, we believe it will be easier to keep track of environmental changes and to attain knowledge concerning trends in consumers' demand.

In addition, the managers do not discuss consumer reflection and self-image of the brand identity. However, one expert brings up the fact that a brand can establish a completely different position within an emerging market. This is a result of consumers within developed countries having higher income levels than consumers in emerging markets. Hence, when the brand is transferred into emerging markets with the same price level, consumers that can afford the brand must have higher income levels. For example, according to one manager, a brand offered to the lower middle class in developed countries is likely to be purchased by the upper middle class within emerging markets. The managers do not bring up this concern and how to deal with these positioning issues in terms of adapting the product to the needs of different markets and to the buyer of the product. Furthermore, as emerging markets are complex we feel that companies do not have much experience of being active within these markets. Hence, we think that managers are yet to fully understand who their consumers in emerging markets are as these markets offer different consumer segments with various needs and income levels (Cui and Liu, 2000).

When looking back at the identity prism by Kapferer (2004) in *Fig. 12* and the discussion above, we believe that we have identified a pattern for managers: Managers have sufficient knowledge of the picture of the sender where we believe the managers have most knowledge about brand physics. The managers also have a thorough understanding about what their brand stands for, showing a high degree of brand personality knowledge. Furthermore, we acknowledged that the brand culture facet was strong, showing good internalisation awareness

from the managers. However, we have identified a lack of knowledge from the managers concerning how to create a brand offer for consumers within emerging markets. Furthermore, we believe that the managers do not have a clear understanding of what message the brand should convey within emerging markets with respect to the underserved consumer. We believe that this shows that the picture of the recipient is not clear for the managers, concerning

**PICTURE OF SENDER
– good knowledge**

Physique | Personality

E X T E R N A L I S A T I O N

Relationship

- knowledge is lacking

Culture

- good knowledge

I N T E R N A L I S A T I O N

Reflection | Self-image

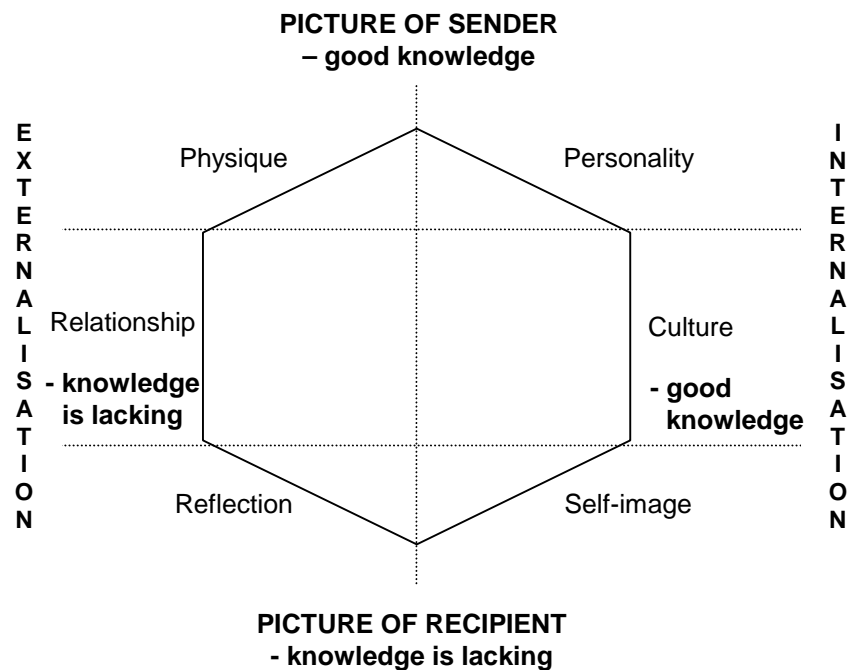**PICTURE OF RECIPIENT
- knowledge is lacking**

Fig. 12: Brand identity prism, Kapferer, 2004, p.107, altered

both how the consumers would like to be reflected and how the brand makes the consumer feel. Furthermore, it is our opinion that this knowledge would have been more profound if the brands had created more in-depth relationships with the consumers. Today we identify this externalisation aspect to be lacking.

We believe it is vital to understand the underserved consumers when creating effective branding, as branding towards the underserved consumers is a recent phenomenon (A.T. Kearney, 2003). According to us, it is therefore becoming more important in order to gain these consumers' attention. In this sense it is our opinion that managers are lacking knowledge in terms of underserved consumer wants and needs. We believe that this lack of information regarding the underserved consumers impose a problem when branding a product effectively, as managers may use the wrong advertising tool and brand offer when branding a product. Hence, we think that the managers should focus more on creating relationships and better understanding of the consumers. However, in order to do so, we believe that further consumer insights are needed.

Perceptions of managers that we have identified:

- Tangible aspects of the brand are focused upon.
- Short-term outlook on the actions of the brand in emerging markets.
- Strong faith in the brand.
- Profound knowledge in terms of internalisation.
- The aspect of externalisation is lacking.
- Picture of the recipient – the consumer – is unclear.
- Lack of knowledge concerning how to create a brand offer for consumers within emerging markets.

5.4.2. Brand awareness

When the managers discussed consumers' brand awareness the focus was on consumers with low income levels. The managers believed that the brand awareness amongst these consumers was higher compared to consumers in developed countries due to the larger impact a purchase has on the disposable incomes of underserved consumers. Therefore, brands are more important and become a guarantee that value will be created.

> *"They[16] are looking for an awesome value relation and they know that brands can be an important sign (…) you know what you get."*
>
> (Manager)

One manager argues, however, that the brand awareness in emerging markets is not as developed as in e.g. Scandinavia. Another manager means that consumers in emerging markets find it important to purchase Western goods due to the new situation of many different brands. According to one manager, the old consumers in emerging markets do not have a need for the new brands as they have managed for such a long time without them.

> *"I believe that the younger generation is very similar to Western consumption patterns and branding is important there."*
>
> (Manager)

One manager brings up the importance of packaging for creating awareness of one's brand. The managers mean that when applying the same logotype and packaging for the brand the consumer's brand awareness will be enhanced. According to the same manager, the brand will therefore ensure the consumer that he or she will get value and quality for the money spent. However, Hult et al. (2000) states that pack design is merely one out of several factors that should be in focus when creating brand awareness.

Furthermore, we see that this discussion is interlinked with brand physique, as part of brand identity, which we discussed in the last section. Pack design is by us seen as the easiest factor to change within the brand physique facet. Hence, we deem it more possible that managers have profound knowledge regarding this area and may therefore wish to discuss these elements. However, according to one expert, the awareness of consumers within emerging markets of what products truly consist of may still be low, as opposed to what managers believe. This is supported by Macdonald and Sharp (2000) who state that consumers are less involved in seeking information when purchasing low-involvement products, which the FMCG industry represents.

One of the experts emphasises that a long-term focus is required when creating brand awareness in an emerging market as new brands often do not sell as well as expected. Therefore, the expert means that companies must focus on building and communicating their brands around the product's functionality traits. However, the manager for Libero told us that consumers within emerging markets have lower expectations on the functionality of products. The manager further stated that the amount of complaints received by Libero in Russia is significantly lower compared to Libero in the Nordic region, which gets enormous amounts of complaints if only minor changes occur on the product.

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[16] Here; "They" is referring to consumers.

Berndt (1996), however, argues that product characteristics should focus on functionality. This is partly due to the fact that underserved consumers in emerging markets are more demanding and sceptical to goods offered by companies, as consumers' core demand is functional products above all other. Hence, sampling is vital in order for the brand to win the attention of underserved consumers and overcome these consumers' scepticism (Berndt, 1996). This is further emphasised by one expert who states that allowing the consumers to try the product is an effective tool for creating awareness about a brand. Furthermore, Hankinson and Cowking (1996) suggest that for consumer groups associated with low awareness, the focus should remain on providing consumers with information and incentives to trial.

As a result of the above, we deem that companies must consider who their consumer is and in relation to this investigate the brand awareness of different segments. However, we believe that managers do not prioritise sampling for gaining the attention of underserved consumers due to the fact that managers believe that consumers' brand awareness is already high. Thereby, no further actions are necessary. However, according to one expert, consumers have been exposed to a huge amount of new brands in a short time whereby consumers are not as "hungry" for new brands and are, hence, not aware of what is considered a *"hot brand"*.

Another issue worth discussing is that retail brands are increasing and gaining more attention from consumers, according to the managers. However, only one manager discusses this issue, but does not classify it as a threat. We believe that the potential threat from retail brands should not be underestimated and that it is vital to view the issue of retail brands in a long-term perspective. According to us, it is vital to firmly establish the brands in the minds of underserved consumers before retailer brands obtain a significant market share.

Perceptions of managers that we have identified:

- Western goods are important to consumers.
- Brands function as a guarantee for value and quality.
- Consumers' brand awareness is generally high.
- Underserved consumers have lower expectations of brand functionality.
- Issues of retail brands belong to the future.

5.4.3. Value

Consumers in emerging markets demand value for money and will analyse, evaluate and rank offers before deciding upon a purchase, argues one manager. In relation to this, the manager means that it is a combination of both quality and price and the fact that consumers want as much value as possible from the money spent:

"One can think that it is the reverse, that, what the hell, the products are so cheap so it doesn't matter what shit we give them[17]. On the contrary – it is really important what quality we have. Those[18] that are very careful with finding the right price, value – that is the value concept – those are the ones that will become successful."

(Manager)

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[17] Here; "them" is referring to the consumer.
[18] Here; "ones" is referring to brands.

According to Keegan (1999) the most advantageous position a company can achieve when creating value is to provide a brand with an increased number of benefits and reduced price compared to competitors. However, the managers do not discuss this opportunity. Instead, the focus is to increase profits. Nevertheless, the managers do discuss creating products with different positions according to the price/value relation. All companies do also provide consumers with a value assortment in some emerging markets. However, we could identify a dislike towards creating such an assortment, due to the limited profits this would gain. Therefore, the value range can not be found within all markets.

All managers did not view lower prices as a way to create value. For example, the marketing and innovation manager for Orkla Foods Baltic told us that Orkla Foods do not provide all consumers with a value assortment due to the fact that there will be low profits earned through a value range. Instead, Orkla Foods focus on standard and premium products where the aspiration is to build long-term value creation and generate a stronger value offer to the consumer through high quality products. Hence, we deem that the reason why some brands do not engage in providing consumers with a value assortment is due to the lower profits that would be earned. Therefore, we view the fear of cannibalisation on the premium brand to be low. This is supported by one manager involved in a brand's value range who has not seen cannibalisation occur. Furthermore, we deem that companies which do not provide underserved consumers with a value range of their products will not be able to capitalise on the larger population of these consumers.

In order to keep delivering value to consumers, companies must stay innovative and take market share in order to be successful, argues one of the managers. The manager further states that this can lead to better differentiation against competitors and create added value for the consumer. Aaker and Joachimstahler (2000) support the fact that brands should focus on creating added value as this is crucial when consumers choose between brands. However, all managers more or less stated that it was merely the brand itself that provided the consumer with added value. We believe this could imply that the managers think that the brands are so strong and well-known that the brands do not need to emphasise other factors that adds value to the brand. However, a few managers raised the need for differentiating a brand to that of competitors. This discussion was, however, only focused to the competitors and not what the consumers want. Furthermore, another manager claims that price is still an important factor in creating value for the consumer, in addition to quality and a well-known brand. This is further supported by one expert who means that price is more important than quality and consumers are therefore more willing to compromise on the quality in order to purchase a product at a lower price.

As seen in the discussion above, managers revealed the importance of creating a value concept for the consumers based upon price and quality. This is in line with Keegan's (1999) value equation consisting of benefits and price. However, the managers spoke about quality as the only benefit, whereby Keegan (1999) and Monroe (1991, in Ravald and Grönroos, 1996) divide benefits into both physical and technical attributes and functions. This is complemented by Aaker and Joachimstahler (2000) who state that emotional benefits are vital when creating value for consumers. However, the fact that the conversations with most managers only focused on quality is by us viewed as a lack of knowledge of what consumers view as beneficial and the importance consumers put on different attributes. Nevertheless, one manager discussed emotional benefits, but implied that these were not emphasised when targeting consumers in emerging markets. We view this opinion as rather distressing as Prahalad (interviewed by Dearlove, 2004) argues that underserved consumers seek

experiences due to a restricted budget. We view the emotional benefits as part of creating an experience for the consumer. Hence, if consumers are not partly targeted with emotional benefits, it is our belief that larger success can not be obtained through the underserved consumers of emerging markets.

The experts' view on the matter of value for consumers takes a different angle than those of managers. Through creating opportunities for consumers to purchase goods by e.g. offering credit can enable a huge population of consumers to engage in consumption, argues one expert. Thus, there is another sort of value that is being created that ultimately transforms the lives of consumers. If companies can come up with similar solutions that target the basic needs of consumers it will both create value and grow the population of potential consumers, claims the expert. Providing consumers with credit is in our view unlikely when fast-moving consumer goods are the products offered, however; that is when an innovative approach is needed. The mindset we are in search for is when mangers ask themselves; if credit can not be offered, then how can we engage in enabling consumers to access our, and other, products? According to Prahalad (2005) a new mindset is therefore needed. However, we believe that even though managers seem to focus the discussion on gaining profits, they may want to consider engaging in other problem-solving activities.

We believe that a possibility could be to create value for the consumers through engaging in what Prahalad (interviewed by Dearlove, 2004) refers to as co-creation of value. Through this a brand enables consumers to be a part of a problem-solving process and provides the consumer with an experience. This experience is becoming more desired by the consumers as their lower incomes can not afford them to take risks when engaging in a purchase. Hence, these underserved consumers are more interested in what experience the brand has to offer (Prahalad interviewed by Dearlove, 2004). We think the reason why managers do not emphasise this opportunity may be that they are unaware of the possibilities that co-creation of value can provide, both for the consumer and for the company.

Perceptions of managers that we have identified:

- Consumers want value for money.
- Dislike towards value range due to lower profits.
- Innovation is a must in order to create value for the consumer.
- Quality is believed to create value for consumers.
- Consumers in emerging markets put less interest in emotional benefits.
- Problem-solving activities are not possible.

5.4.4. Loyalty

According to one manager, consumers within emerging markets are likely to be more loyal to a specific brand, mainly due to the lack of discounts in these markets. The loyalty can be very high in case the consumers feel that the product offers a solution to a problem, argues the manager.

"They[19] are normally very loyal (…) have we solved their problem and they are satisfied, then they are very difficult to move."

(Manager)

When comparing some of the emerging markets to the Nordic market, one manager argues that loyalty in emerging markets is probably lower, although growing stronger. Hence, we identified managers' views of loyalty to be rather fragmented. Additionally, the experts argued that the consumers are switchers (Kotler, 1991), continuously changing between brands and not being loyal to any brand. However, higher level of loyalty to food products has been witnessed which is likely to be a result of tradition, according to one expert. Nevertheless, the non-loyalty expressed by the experts is further supported by an investigation conducted by A.T. Kearney (2003) who found that markets identified as having rapidly expanding product ranges have less loyal consumers due to the constant flow of new brands. We think that this disorientation amongst the managers can be a result of a need of collecting deeper consumer insights in order to understand the consumers' purchasing patterns and their loyalty towards particular brands. Since all brands have quite recently established business within some of the emerging markets, we believe these insights are yet to be collected.

However, all managers believe it to be important to create loyal consumers, with the intention to grow and increase profits when the consumers' purchasing power increases. Nevertheless, as discussed in a previous section concerning brand identity, no manager discussed how to build a relationship with these underserved consumers. As strong relationships may result in loyalty (Kotler, 1991) this issue should be of high concern for the managers. However, we deem that if the managers believe that consumers are already loyal, they may not view engagement in relationship building activities as a focal point. This mindset can impose an issue for the future if the experts' and A.T. Kearney's (2003) findings concerning poor loyalty of underserved consumers within emerging markets is correct. We believe that poor loyalty of consumers could also increase the threat from retail brands, whereby a value range may be a suitable alternative for meeting the lower prices of retail brands.

Furthermore, East et al. (2005) discusses the importance of word-of-mouth for consumers within emerging markets. Word-of-mouth is an outcome of loyalty and is according to Prahalad (interviewed by Dearlove, 2004) vital for underserved consumers in the moment of making a purchase decision. This is connected to the fact that every purchase made by underserved consumers affects their disposable income enormously; word-of-mouth is thereby viewed as a guarantee of brand quality (Prahalad interviewed by Dearlove, 2004). However, word-of-mouth, or anything indicating that this concept is important, was not mentioned by the managers. We believe that this, again, indicates that the managers do not have a correct apprehension of their consumer, how loyal they are or what makes them loyal.

*Perceptions of managers that we have identified:*

- Loyalty may be high if consumers feel that the product offers a solution to a problem.
- Loyalty is lower in emerging markets.
- Loyal consumers may lead to greater revenues when purchasing power increases.
- Relationship building is not in focus.

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[19] Here; "They" is referring to the consumers.

5.5. Summary

Throughout the joint discussion we have been able to bring forward managers' perceptions regarding the underserved consumers by going through the elements in our graph (*Fig. 13*) one

Fig. 13
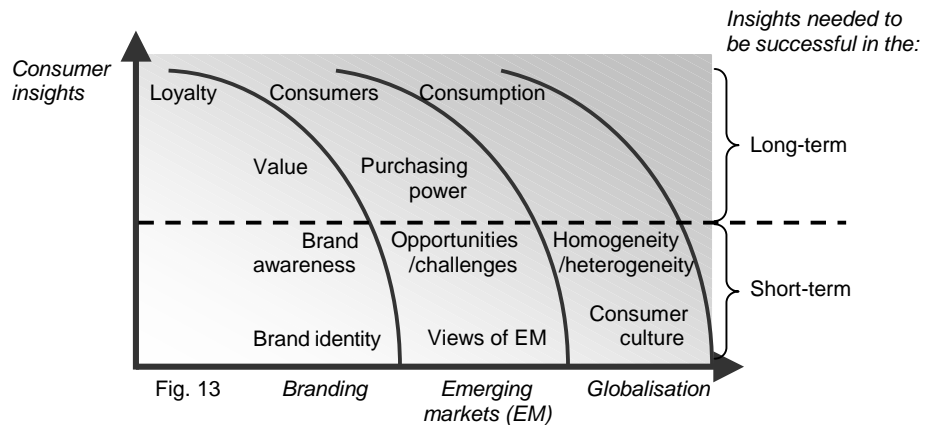
by one. The perceptions of managers were at times rather fragmented, but overall we considered these perceptions having a short-term perspective, in contrast to the long-term view advocated by Prahalad (2005). Having a short-term mindset, in our view, means that the main focus of MNCs are the elements found in the lower part of the graph (below the dotted line). Short-term also implies that the emphasis is put on the potential of generating revenues quickly but that a plan for taking the next step in order to stay ahead of competitors is lacking.

If the intention is to conduct business in the long-term perspective, we believe it to be necessary to engage in those elements which are found in the upper part of the graph (above the dotted line). Having a mindset focused to the long-term is in our view linked to rethinking the "old" way of doing business and daring to challenge prevailing mindsets. The long-term concerns a need for reading as well as responding to consumer trends and demands through innovation. Consumer insights are thereby a tool for generating long-term success. However, we identified that when the elements in the upper part of our graph were discussed, the managers provided us with more uncertain answers and many times lacked information regarding the topic discussed. We believe that a reason to this is the likelihood of these insights being generated through relationships with consumers which in turn will take time to build, thereby, the long-term perspective. It is, however, our view that managers currently do not pursue a long-term mindset.

The perceptions that were brought forward in the discussion were to a large extent short-term, according to us. The mindset that we found was mainly one that took the standpoint in the company's interest and standardised offers with the aim of making profit out of the market (see *Fig. 14*). Thereby it came to our attention that the prevailing mindset is mostly focused to those elements which require less consumer insights.
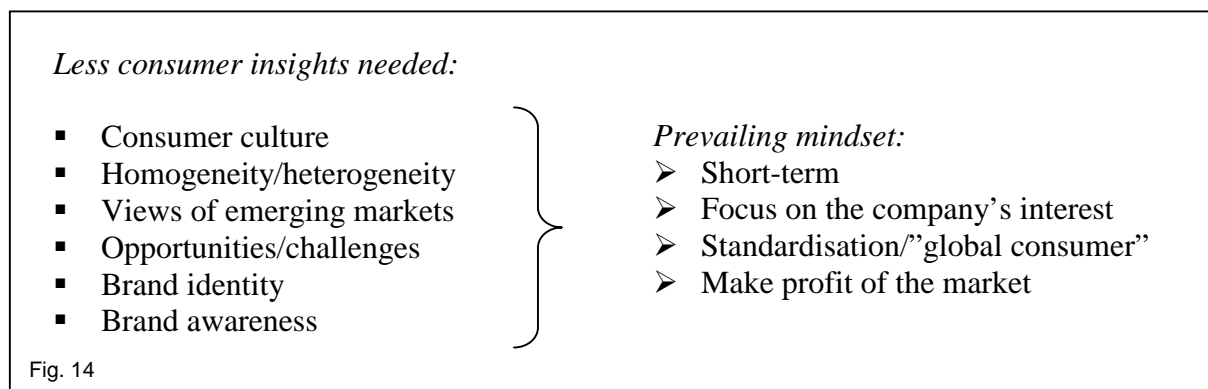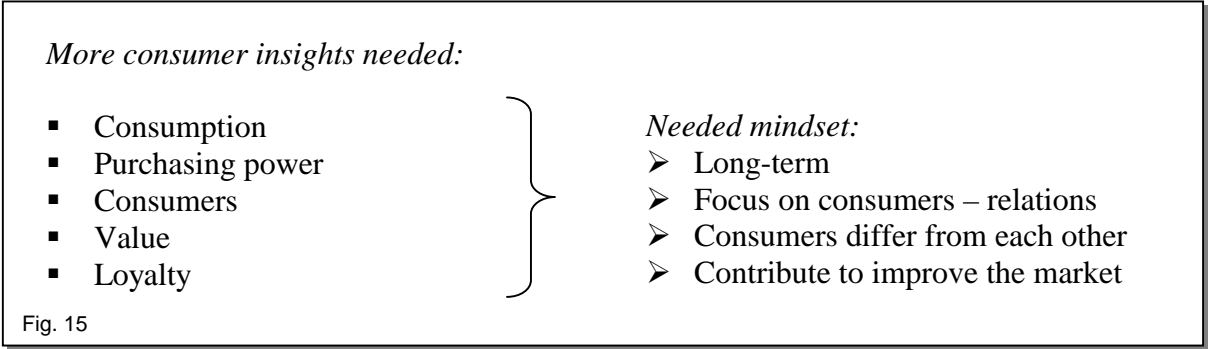
Less consumer insights needed:

- Consumer culture
- Homogeneity/heterogeneity
- Views of emerging markets
- Opportunities/challenges
- Brand identity
- Brand awareness

Prevailing mindset:

- Short-term
- Focus on the company's interest
- Standardisation/"global consumer"
- Make profit of the market

Fig. 14

The managerial perceptions that we found to be lacking were in the elements in the upper part of the graph, hence, those that require more profound consumer insights (see *Fig. 15*). Therefore, we believe that it is vital to encourage a mindset which does recognise the significance of those elements and of implementing a long-term perspective. This requires a focus on building relationships with the consumers, recognising the different needs of different consumer segments and a willingness of MNCs to contribute to improving the market; not merely seeing it as a place for increasing profit.

More consumer insights needed:

- Consumption
- Purchasing power
- Consumers
- Value
- Loyalty

Needed mindset:

➢ Long-term
➢ Focus on consumers – relations
➢ Consumers differ from each other
➢ Contribute to improve the market

Fig. 15

6. Conclusions

In this chapter we give an account for the findings of this research in regards to the objectives of this thesis. We will further discuss these contributions together with the implications of our investigation. Finally, we will propose areas for future research within our area of study.

"By its very nature, success in BOP markets will break existing paradigms."

(Prahalad, 2005, p. 45)

6.1. Two managerial perspectives of consumers in emerging markets

The first objective of this thesis was to bring forward managers' perceptions of the underserved consumers in emerging markets. In the summary of the joint discussion we pointed to those elements in our graph in which managers' perceptions are still lacking consumer insights. These elements were *value, loyalty, purchasing power, consumers* and *consumption*. The joint discussion thereby showed that the mindset of managers in terms of being active in emerging markets is still focused to short-term gains rather than viewed from a long-term perspective. What this ultimately means is that the new, long-term centred mindset advocated by Prahalad (2005) and Prahalad and Lieberthal (1998) is not the prevailing mindset among the managers in our study.

The theoretical chapter of this thesis started with the identification of key areas of interest found in Prahalad's (2005) work regarding prevailing assumptions among MNCs. If we look back upon three of the cornerstones of this thesis (globalisation, emerging markets, branding), in order to find the perceptions of consumers underlying these, it becomes clear that managers to a large extent still practice an old mindset concerning how the underserved consumer is being looked upon. *Globalisation* is mainly a means to provide more products to a larger population of consumers and to obtain global awareness of the brand, rather than viewed as an opportunity to contribute to humanity. The humanising aspect is vital if a long-term view of conducting business across the world is to become reality; MNCs must therefore increase their participation in emerging markets (Prahalad, 2005).

When looking deeper into managers' perceptions of *emerging markets* these are similar to those of globalisation. The prevailing mindset is more linked to exploiting the emerging markets than making a difference in these markets. Simply growing the business is a perception belonging to a short-term way of thinking which needs to be replaced by an active approach to improve the lives of underserved consumers. Some managers in our study seemed to be waiting for the markets to improve their own economic situation. Thus, we look forward to more proactive managers who take their responsibility to do their share in creating purchasing power among consumers. It must be recognised that an emerging market does not consist of one market with one type of needs. These markets must be looked upon as

including different kinds of consumers with differing needs. Innovation is hence the key for reaching these consumers and will in the long run also lead MNCs to gain success in these markets (Prahald, 2005).

This study has further shown that changes are required in perceptions of the role of *branding*. Throughout the research we found that the role of the brand may be changing. Instead of passively providing consumers with products, where the brand is viewed as a tool for gaining profits, branding can be part of an empowering problem-solving process where the consumer is involved in creating a brand experience identified by added value.

Moreover, it also became clear to us that the managers were focused upon the tangible elements of the brand, such as the pack design and brand name. However, the tangible elements are likely to come second in the purchase decisions of consumers in emerging markets (Ettenson, 1993). We believe that managers lack knowledge of the recipient – the consumer – and the impact of the brand on consumers' feelings, thus, the importance of the intangible elements of the brand. If managers aspire long-term profit in emerging markets we believe that less faith needs to be put in the brand per se and more in building relationships with consumers, thereby focusing on the facet of brand as relationship in the brand identity. Engaging in forming relationships with consumers of emerging markets is likely to make it easier to keep track of, and respond to, changes in the consumers' environment.

However, if a brand is not acting as a challenger the brand will not reach success, which we learned from one of the managers. Therefore, one should always strive for improvements of the brand concept and market position. We mean that if a brand is complacent with its current position the extra effort in creating new concepts or methods for reaching the consumers is unlikely to take place. In our interpretation, the overall view of the consumer in emerging markets is not that of a partner to collaborate with or to engage in co-creation of value (Prahalad, interviewed by Dearlove, 2004). The consumer is to a high degree viewed as a barrier for entry of these markets which must be conquered. In the table in *Fig. 16* we show the perceptions discussed above which we have found belong to the old mindset and which are also frequently occurring in the discussions with managers. We also put the old perceptions in contrast to those belonging to the new mindset.

Old mindset	New mindset
Short-term	Long-term
Provide products	Contribute to humanity
Exploit markets	Make a difference
Passive	Proactive
Wait for improvement of market	Create purchasing power
One market	Different consumer segments
Standardisation	"Glocality" and innovation
Make profits	Engage in problem-solving
Tangible elements	Intangible elements
Faith in brand	Faith in relations
Complacent	Challenger
First-to-market	Maximise perceived value
Consumer as barrier	Consumer as partner

Fig. 16

The perceptions in the table have been derived from both theory and empirical material. The perceptions of the new mindset are mainly derived from research conducted by Prahalad (2005), Prahalad and Hart (2002) and Prahalad and Hammond (2002); however, some perceptions do derive from our empirical studies. Viewing the brand as a "challenger" appeared in an interview with one of the managers and terms such as "innovation" appeared both in the literature as well as in an interview. Most of the perceptions in the old mindset have been identified through the empirical material but are also present in literature as examples of common misunderstandings or perceptions that are in need of transformation.

We believe that we have accomplished to fulfil the purpose of this thesis, which was to bring forward managers' perceptions of underserved consumers in emerging markets. We have managed to reveal those perceptions that are likely to currently be prevailing among many managers in MNCs that are establishing business in emerging markets. Moreover, perceptions that we have found to belong to either the old or the new mindsets have been mapped out. We would like to emphasise that even though we find that managers' perceptions are mainly represented in the old mindset, we have found tendencies that show that managers are likely to begin to turn towards some of the perceptions identified with the new mindset. For example, we believe that managers do consider innovation to be highly important for reaching consumers in emerging markets and that attempts are made towards maximising value for consumers. Managers show this through offering value assortments and recognising consumers' quality awareness. Moreover, managers do also touch upon some of the intangible elements of the brand and acknowledge the importance of forming a bond between the brand and the consumer. These areas of the new mindset are further those that to us seem to occur most frequently in current marketing and branding literature that we have studied regarding how MNCs should act with a brand in emerging markets. Examples of innovation are generally connected to adaptations, such as smaller bottles or sachets (Kripalani and Clifford, 2003), and thereby we do miss innovation of a larger scale in current research. However, managers have just started to consider the new mindset within the areas just discussed whereby the new mindset is not yet established.

A few of the areas covered in the new mindset are completely absent with the managers in the study, such as making a difference in emerging markets and contributing to humanity. Those areas are also rare in the literature, whereby Prahalad (2005) is one of the few researchers we found that encourages MNCs to contribute to fight poverty in emerging markets and at the same time connects these actions to profit potential. This combination is still new and even though MNCs have started to recognise their responsibility towards society we believe that they have a long way to go before Prahalad's (2005) ideas are common business practice. However, by challenging one's own mindset and perceptions, we believe that a new business paradigm can become the end result, which would benefit MNCs as well as the individual consumer in emerging markets.

6.2. Implications for branding

The second objective of our study was to provide implications for branding in emerging markets. Managers' perceptions of the underserved consumer in emerging markets may to a certain extent mirror existing marketing and branding literature. Throughout our research we hardly found any literature that emphasised the importance of understanding underserved consumers. Instead, research is focused to strategies for entering emerging markets and how to "succeed" and maximise profits. However, neglected by large parts of the literature is the

value of applying a different mindset when branding in emerging markets and the role of (managers') perceptions. The findings of this thesis are therefore not surprising; if current research shows no interest in the impact of perceptions, then why should managers acknowledge the importance of their own perceptions?

This study has also resulted in implications for branding in emerging markets. Throughout the interviews, it became clear to us that managers mainly discuss their brands in terms of their tangible assets. It also meant that we interpreted that thorough awareness concerning half of the facets included in the brand identity prism (Kapferer, 2004) was missing. To a large extent managers discussed their brands from the internalisation aspects and from the picture of the sender. Hence, when discussing the character of the brand, managers tended to focus on terms such as "pack design" and "logotype" which are identity aspects of brand physique. However, the externalisation awareness within the brand identity was lacking as was the picture of the recipient. Indeed, it is vital to know one's own brand and what it stands for in order to know what it offers to consumers. But if one can only uncover 50 % of the facets included in the brand identity prism, then how can the right decisions regarding e.g. the positioning of a brand be made? Therefore, we propose that managers devote as much attention to the recipient of the brand as to the sender in order to reach a balance. Building strong relationships with consumers is likely to be the best path to consumer insights.

It is possible to come up with new strategies of how to position a brand in a market or how to create a "global brand". However, it is our belief that none of this matters if the new mindset that we identified above is missing. We are aware of the fact that changing the mindset of individuals is difficult as it also means leaving one's zone of comfort (Prahalad, 2005). We believe that an alternative would be for MNCs to continue on a short-term path, make minor changes in the offering to suit the needs of consumers in emerging markets and possibly obtain profits. However, for companies which want to keep growing, remain consumers' first choice and be ahead of competitors, the short-term path is in our view not the right way to go. The ultimate result of short-term perceptions is that of missing out on opportunities, which in the end means losing out on long-term consumers and profit potential (Prahalad, 2005).

6.3. Theoretical contributions

The main theoretical contribution of this thesis is the graph (*Fig. 17*) that was constructed to show the connection between the elements identified for each cornerstone (globalisation, emerging markets and branding) in relation to consumer insights and, thus, the degree of consumer insights needed for each element. The elements in the upper part of the graph are those which in our study showed to require profound insights. In addition, it is our standpoint that the consumer insights in the elements of the upper part are necessary for reaching long-term success.

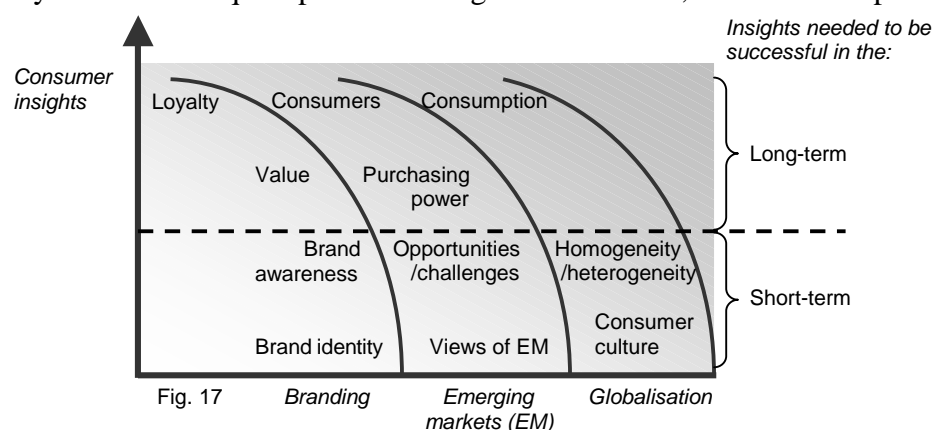The graph can probably more than anything be

Fig. 17   *Branding   Emerging   Globalisation*
                            markets (EM)

viewed as a tool for understanding the different layers of consumer insights that are needed for reaching success in emerging markets. Knowing one's consumers is important, which was also acknowledged by the managers in our research, however; consumers in emerging markets have different needs than consumers in the Western world. In order to fully understand the consumers of emerging markets a new mindset is required (Prahalad, 2005). The concept of Prahalad's (2005) "new mindset" has in our view been further developed in this thesis and become more concrete due to the fact that we have identified perceptions belonging to the old and new mindsets respectively. As perceptions must be confronted in order to seize the opportunities of emerging markets (Prahalad and Hammond, 2002) we find that this graph can be applied as a tool for assessing the perceptions within a company established in these markets. Hence, the graph can reveal the direction of the business conducted and how the perceptions of managers are affecting the brand strategy, which in turn will have an impact on the whole brand offering to the consumer.

The work of Prahalad (2005), Prahalad and Hart (2002) and Prahalad and Hammond (2002) have been the main sources of inspiration in this thesis due to their research regarding consumers with the lowest purchasing power in emerging markets. We believe that our thesis has added to their research by forming a more realistic view of the underserved consumer in emerging markets by bringing forward e.g. the consumers' quality awareness and situation of these consumers.

This thesis has also contributed to bring forward a less traditional view of branding where we have chosen to put the perceptions of the consumer of emerging markets in the centre of attention. In that sense, we believe that we have managed to suggest a different view to branding in emerging markets, than e.g. the view provided by Keller and Moorthi (2003). The article by Keller and Moorthi (2003) was one of the few pieces that we found regarding branding and growth in emerging markets. However, their research focused on functional brand values and strategic decisions whereas our study has emphasised the intangible assets of a brand, such as building relationships and acting as a challenger.

6.4. Suggestions for future research

We regard the research conducted during this thesis as a first step towards developing the knowledge concerning managers' perceptions of emerging markets and consumers in these markets in particular. Our study has made a distinction between the old and the new mindset and between short-term and long-term thinking, however; this thesis has some limitations. First of all, our choice of pursuing a qualitative research method resulted in a small sample whereby we want to encourage future research that will take a larger sample size into consideration. Secondly, as the research only focused on product branding and more specifically branding of FMCG, our research can not be generalised; neither to the FMCG industry, due to the small sample size, nor to any other industry. Moreover, we have identified the following areas that would be interesting for further research:

- Since we only interviewed managers located in developed markets it would have been interesting to investigate if these managers' perceptions regarding underserved consumers differ from perceptions of managers situated in emerging markets.

- As we identified that managers possess an old mindset it would be interesting to find out if the present perceptions of managers are a result of the literature that currently exist in the area of international branding and marketing.

- This research only provided a small fraction of what is needed in order to change the old mindset to the new. Hence, it would be highly interesting for future research to engage in best-case practice. This could provide managers with more thorough knowledge of how to change the mindset successfully.

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Appendix 1

Questions asked to the managers

Background questions

1. Can you tell us a bit about your business background?

   ➢ How long have you been working at the company?

   ➢ What is your current position?

   ➢ How long have you had this position?

Brand specific questions

2. Can you tell me a little about the <name of brand> brand? E.g. about what markets the brand is present on, its characteristics, etc.

3. What do you believe are the main challenges of emerging markets?

   ➢ … and the opportunities?

4. How do you think a company can act with a brand on an emerging market?

5. What do you believe is necessary to consider in building a successful brand in an emerging market?

6. Do you believe that the brand concept should be standardised/adapted?

   ➢ What can be standardised/adapted?

   ➢ How would you regard <name of brand>'s viewpoint in this question?

7. What is your policy regarding the brand name?

   ➢ What do you think is the reason for this?

8. How far do you think a brand can be stretched without being damaged?

Customer specific questions

9. Can you tell us a bit about whom your consumer is?

10. Is this consumer profile different in emerging markets from and mature/developed markets?

11. How loyal do you think consumers in emerging markets are?

    ➢ How prone would you deem your consumers are to brand switching?

    ➢ Do you think this issue is different in emerging markets?

12. What do you believe creates value for a consumer in an emerging market?

    ➢ How do you think it is possible to capitalise on this?

13. How different do you see consumer needs are in emerging versus developed markets? E.g. in terms of demand of goods.

14. What is your view on consumers' brand awareness (in emerging markets)?

15. How do you view consumers' purchasing power?

    ➢ Has it changed?

    ➢ Have you made any changes in your brand in order to meet the changes?

16. What is your view on the future of brands in emerging markets?

    ➢ Will the consumer profile change?

    ➢ Will purchasing power change?

Appendix 2

Questions asked to the experts

Background questions

1. Can you tell us a bit about your business background?

   ➢ How long have you been working at the company?

   ➢ What is your current position?

   ➢ How long have you had this position?

Branding in emerging markets

2. What are the main challenges of emerging markets?

   ➢ … and the opportunities?

3. What is necessary to consider in building a successful brand in an emerging market?

4. Should the brand concept be standardised/adapted?

   ➢ What can be standardised/adapted?

Consumers in emerging markets

5. Is this customer profile different in emerging markets from mature/developed markets?

6. How loyal are consumers in emerging markets?

7. What creates value for a customer in an emerging market?

   ➢ How is it possible to capitalise on this?

8. How different are customer needs in emerging versus developed markets? E.g. in terms of demand of goods.

9. How brand aware are consumers in emerging markets?

10. How do you view consumers' purchasing power?

    ➢ Has it changed?

    ➢ Do brands need to make any changes in order to meet the changes?

11. What does the future of emerging markets look like in terms of…

> ➢ ... customer profile? Will the customer profile change?

> ➢ … purchasing power? Will purchasing power change?

Appendix 3

Tena - incontinence product brands

Products: Disposable incontinence products for men, women and children with both heavy and lighter problems with urine leakage. The product range consists of pads, pants (protective underwear), slips (briefs) and underpads, as well as skin care products and wash creams.
Market: Europe, the Americas and Asia Pacific.
Customers: Institutions (hospitals, nursing homes), home care dealers and retailers.

Products: These advanced products are made from the highest quality materials and specially designed for women to provide the comfort and confidence they need to take control of bladder leakage.
Market: US.
Customers: Consumers through retailers

Libresse - feminine hygiene brands

Products: Towels and panty liners in all markets. Tampons in selected markets.
Market: Global.
Customers: Consumers through retailers.

Products: Towels and panty liners in all markets. Tampons in selected markets.
Market: Great Britain.
Customers: Consumers through retailers.

Products: Towels and panty liners in all markets. Tampons in selected markets.
Market: France.
Customers: Consumers through retailers.

Products: Towels and panty liners in all markets. Tampons in selected markets.
Market: Italy.
Customers: Consumers through retailers.

Products: Libra is the market leader in feminine hygiene, and has products within pads, tampons and liners.
Market: Australia.
Customers: Consumers through retailers.

Products: Pads, tampons and liners.
Market: Spain.
Customers: Consumers through retailers.

Products: Sanitary napkins, panty liners.
Market: Mexico and Central America.
Customers: Consumers through retailers.

Libero - baby diaper brands

Products: Libero has a wide assortment, which consists of premium open diapers, pant diapers and wet wipes.
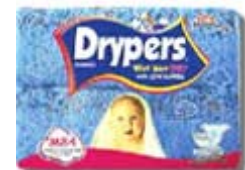**Market:** Europe.
Customers: Consumers through retailers.

Products: Drypers Wee Wee Dry is a range of value segment open diapers.
Market: South Asia.
Customers: Consumers through retailers.

Products: Drypantz is a premium segment diaper with an easy-up/easy-down feature and good overnight absorbency.
Market: South Asia (Malaysia, Singapore and Thailand).
Customers: Consumers through retailers.

(www.sca.com, 2006-04-21)

Orkla Foods – food products

Orkla Foods comprises a wide range of food products e.g. pizzas and pies, sauces, snacking products, fruit and berry products, preserved vegetables, fast food, seafood.

Products: Pizza with an American-style or Italian-style base and pizzas in various sizes such as family-size, single portion pizzas and minipizzas.
Market: Orkla Foods is leading manufacturer and marketer of frozen pizza in the Nordic region. The company also holds strong positions in the Czech Republic, Slovakia, Hungary, Poland and the Baltic States.
Customers: Consumers through retailers.

Products: Ketchup, dressings, mustard and ready, cold sauces.
Market: Ketchup is sold in 13 countries in Europe. Orkla Food's best known brands are Idun in Norway, Felix in Sweden, Finland, Austria and Hungary, Beauvais in Denmark, Põltsamaa in Estonia, Kotlin in Poland and Tomi in Romania.
Customers: Consumers through retailers.

Products: Fish roe spread, herring, anchovies, fish balls, patés and tuna are some of the main fish products.
Market: Products are exported to selected countries in Europe. Abba Seafood is the market leader in Sweden, and the best known brand is Kalles Kaviar (cod roe spread). Other strong Abba Seafood brands include Abba Sill (herring), Grebbestads anchovies and Wittes *lutfisk* (cod treated with lye and served boiled). Abba is also a strong brand in Denmark and Finland. In Poland, Orkla Foods produces and markets a wide range of refrigerated, canned and frozen seafood products, mainly under the Superfish brand.
Customers: Consumers through retailers.

(www.orkla.no, 2006-05-04)