

DEVELOPING THE WINNING STRATEGY

A comparison of marketing strategies in developed and developing markets

Interest in developing markets such as China, India, Brazil and Russia has increased rapidly over the past ten years. While each of these developing countries is unique, there are nevertheless some striking similarities between their business and competitive environments which impact on marketing strategies in these countries. So, how do the critical marketing success factors in the developing and developed worlds differ from each other?

Product

In most business-to-business markets, customers regard product quality and durability as a 'hygiene' requirement; performance must be high in order for the supplier of that product to even be considered. Companies with low quality are not in business for long, leaving serious market players to differentiate on the extended offer – service, brand and the like. In developing markets, good quality is often not even a hygiene requirement, let alone a differentiator. 80%-90% of buyers of pump and instrumentation products in Russia or China, for example, are happy to buy products that last 18-24 months whereas their Western counterparts demand a lifespan of 6-7 years or more. This results in a preponderance of low quality buyers in the developing market, and quality becomes a key differentiating factor for the small group of customers that demand it.

To the Western company with a high cost-base and high-quality product, the best strategy in a developing market is to cream-skim the market by targeting the 10%-20% of quality-focused buyers. In developed markets, suppliers are best advised to focus on service quality, knowledge and people, while of course maintaining high quality standards.

Price

Value-added pricing is common in developed markets – that is to say buyers are willing to pay more for a superior offer, usually based around service, brand, consultancy and other benefits beyond the product itself. In developing economies, the willingness to pay extra for a superior offer is far less prevalent, with most b2b buyers relating price primarily to quantity.



Western clients tend to premium-price in developing markets, communicating high quality to a small part of the market and receiving high margins in return. Even companies that are relatively undifferentiated in their home markets frequently succeed when premium-pricing in developing countries. Consumer brands such as Pizza Hut have experienced huge success with this strategy.

In developed markets, the picture is far less clear, with customers generally more demanding and high-quality competition more prevalent. This is where specialist pricing research comes into its own, be that

competitive pricing intelligence or more model-based techniques such as SIMALTO and conjoint analysis.

Place

Western businesses frequently underestimate the difficulties associated with routes to market in developing economies. Whereas market channels in the company's home market may be long-established and familiar, channels in a developing market may be unrecognisable, fragmented, ephemeral, and highly dependent on local knowledge and relationships. Many Western consumer-facing companies are experiencing real success in developing markets in this respect, with shampoo and cosmetic providers, for example, making huge profits in rural cities via local distributors and retailers. Industrial companies have been slower to build up their knowledge, many still relying on generic import-export agents and a low-quality, poorly trained salesforce. Underestimating the importance of a permanent on-the-ground presence and even local-language capability are other common mistakes.

Promotion

In any b2b market, promotional messages should focus on customers' 'hot buttons': product quality or price in developing markets; and in developed markets, service, brand, consultancy and other value-added messages. Promotional routes will also differ. While direct mail is increasing in prevalence in most developing b2b markets, it is still a scarcely used and ineffective marketing channel in these countries. Relationship-focused promotion, such as trade shows and site visits, is key, since trust in brands is in short supply.

Recommended Marketing Strategies In Developed And Developing Markets

	DEVELOPED	DEVELOPING
PRODUCT	High quality is the minimum requirement	Quality is less important than price
PRICE	Value pricing	Low price is essential
PLACE	Established, albeit multifaceted, distribution routes	Ephemeral, less formalised distribution routes
PROMOTION	Quality goes without saying. Focus is increasingly on the extended offer	Focus is on price

EXPANDING THE VALUE PROPOSITION BEYOND THE CORE OFFERING

CASE STUDY: NEEDS ASSESSMENT RESEARCH VIA TELEPHONE SURVEY
 Ansell Healthcare, the world's largest manufacturer of protective gloves and clothing, recently commissioned B2B International to research views on its Guardian® process – a cost-savings and profitability-improvement process that is provided free of charge to selected customers. This is a highly innovative service in the PPE market, comprising a unique suite of management tools backed with consultative support, which assists manufacturing and processing companies in improving safety while simultaneously maximising the return on the personal protective equipment investment.

The petrochemical company, Baker Hughes, is one of many users of the Guardian® process. It was found that the 16 different gloves worn by this company over the years only fit 80% with the company's requirements for hand protection. The glove range recommended by Ansell through the Guardian® process comprised only nine different gloves, and promised (and delivered) a 96% fit.

The research conducted by B2B International confirmed the high value of Guardian®, with the users who were surveyed rating the process a very high overall satisfaction score, something that is

rarely seen in business-to-business research. Furthermore, the potential users of Guardian® expressed significant interest, indicating that the offering can be used by Ansell as a prospecting tool to win new accounts.

The success of Guardian® illustrates that the market's requirements for hand protection are not focused only on the tangible offering of chiefly gloves. Indeed, Ansell positions itself as a "global leader in protection solutions", with its solutions spanning far beyond the physical glove product.

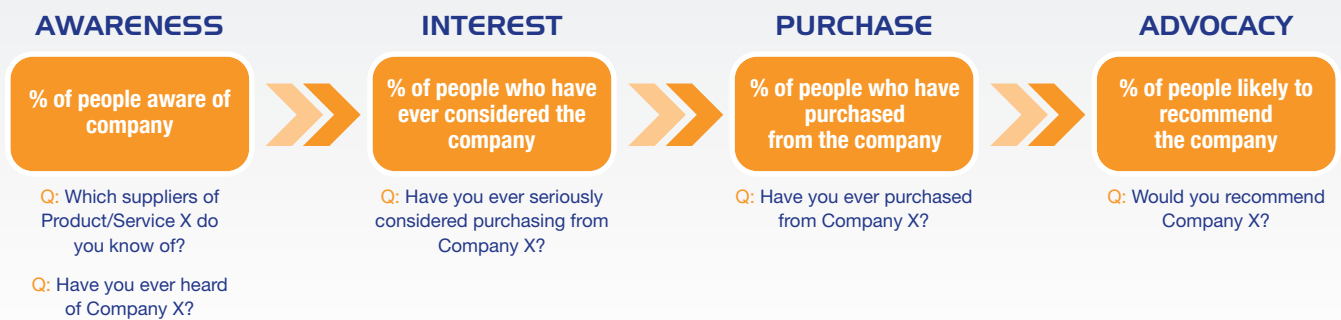
B2B International Director, Julia Cupman, who led the project, states, "The Guardian® process demonstrates how an intangible offering can play a vital role in retaining customers, in increasing the share of business placed with a particular supplier, and in winning new accounts. It is a great example of a company moving on from seeing itself as a supplier of gloves to one that sees itself as a protective solutions provider, protecting both people and the products they come into contact with".

Contact Julia Cupman: juliac@b2binternational.com

THE POWER OF B2B BRANDING

B2B International launches Awareness-To-Purchase Index

B2B International recently launched a new tool, the Awareness-To-Purchase Index, to assist companies in measuring brand ROI. To arrive at the Awareness-To-Purchase Index, a suite of critical questions needs to be asked about a company and its competitors. This covers the awareness levels of suppliers, interest levels in using these suppliers, current/recent purchases from these suppliers, and the likelihood to recommend each supplier. Some surveys dig deeper to explore the share of business placed with each supplier, as well as purchase intent over the next 12 months. The data gathered from these questions lead to key metrics that can be used for a number of marketing strategies.



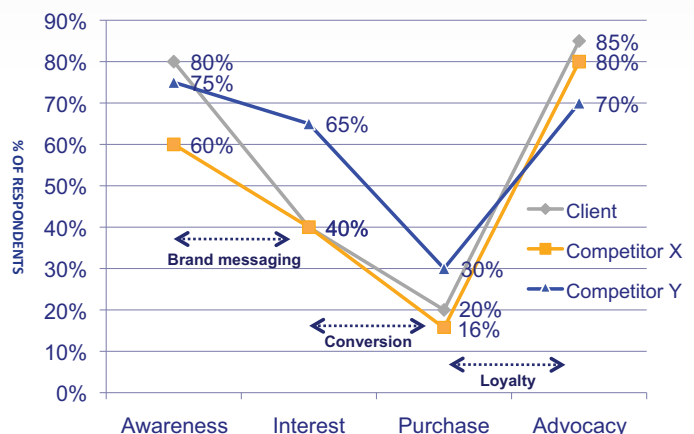
In the example shown in the graph, the Client has the highest awareness level out of the three companies, but the largest percentage drop when it comes to interest, indicating that the Client has work to do on its brand messaging.

While Competitor Y seems to communicate its benefits well as it attracts high interest, it is not doing as well as the Client or Competitor X in converting interest into sales.

A further key metric is that of loyalty, i.e. repeat sales and customers acting as advocates of the brand. The Client is the strongest in driving customer loyalty, with the highest percentage of people saying they would recommend the company.

The graph guides decision-making by providing direction on how promotional spend can be maximised, for example whether it be required most at the awareness-raising stage, or in better communicating benefits, or in increasing customer loyalty, etc.

The Awareness-To-Purchase Index is an overall metric that is arrived at by calculating the ratio between the purchase and awareness figures. The Client has the highest index of 4 (80% to 20%); Competitor Y the lowest index of 2.5 (75% to 30%).



In general, the lower the index, i.e. the smaller the gap between awareness and purchase, the higher the brand ROI.

Note that in order for the data to be robust, a sufficient sample size is necessary, which should be a random and blind sample of a verified target market.

DON'T MISS OUR LATEST WHITE PAPERS

There are some recent additions to our ever-expanding collection of thought-leadership papers, all available to read on our website: www.b2binternational.com/library/whitepapers. Here's a brief taster of our three latest papers:

WHITE PAPER: Market Segmentation in B2B Markets

The most successful companies are those which understand the differing needs of their customer groups, and make it their aim to identify – and then to satisfy – the most profitable segments. This white paper deals with the specific segmentation challenges facing b2b companies and, more importantly, offers advice on how to develop market segmentation strategies to maximum effect.



WHITE PAPER: A Practical Guide to Improving Customer Satisfaction

Too many customer satisfaction studies gather dust because there is no mechanism for turning market research findings into tangible improvements. This white paper discusses what customer satisfaction scores really mean and highlights a four-point plan for making improvements, including strategic wins and tactical quick hits.



WHITE PAPER: Entering Chinese Business-to-Business Markets

Entering China successfully can seem like a daunting task to foreign companies with limited or no experience of doing business there. This white paper highlights key challenges when entering China for the first time, and offers practical recommendations that can be integrated into a company's China market entry and expansion plans.



GET CERTIFIED!

HR certification offers a 253% return on investment

CASE STUDY: NEW PRODUCT DEVELOPMENT RESEARCH VIA ONLINE SURVEY A global online survey conducted for the HR Certification Institute has shown that human resources employees and employers value HR certification at more than two-and-a-half times the initial certification outlay.

The survey included more than 1,500 HR professionals in 37 countries worldwide and results highlighted differences between continents. Matthew Harrison, in charge of the study, said: "Finding the time to study for certification was not a key issue for Europeans or Asians and yet was a key unmet need for Americans. Indeed, the survey conveyed a general sense that US employers were less actively involved in professional certification than their foreign counterparts, with only 8% deciding which certification their staff obtained, against 22% in other countries."

From an employer's perspective, having employees gain professional HR certification brings numerous advantages to the organisation, including an increase in employee engagement, satisfaction and productivity, as well as a reduction in staff turnover, all leading to an increase in customer satisfaction. Employers also comment that certification increases employees' HR knowledge and ensures that they keep up to date; it demonstrates employees' commitment to HR and to learning; and it increases confidence in their own ability to do their job. Having employees with certification is good for the organisation's reputation and demonstrates that it takes HR seriously.

For individuals, the biggest incentives toward pursuing HR certification stem



from the belief that the credentials will increase their HR knowledge and thus strengthen their CV. 94% of HR employee respondents and 97% of HR employers believe that certification is important for those working in human resources, more than 60% of whom stated it is 'very important'. An even greater number of employers expect certification to be of importance in five years' time.

Ninety-six percent of employees feel that an HR certified candidate applying for a job would have an advantage over a non-HR certified candidate, with more than 50% believing this to be a 'very significant' advantage. This is borne out by employers: more than two-thirds state that an HR certified person being considered as an independent consultant for an HR department would have a 'very significant' advantage over a non-certified individual. HR certification was highlighted as particularly

advantageous for HR professionals going for a promotion or facing redundancy.

Research Manager Cristin Malone, part of the team that conducted the study, remarked on how highly valued the survey showed certification to be. "Of the four types of credential that an HR professional might hold, that is to say an undergraduate degree, a graduate degree, a certificate or a certification, the certification was felt to be by far the most beneficial. Its advantages include it offering the most value for money and return on investment; being highly flexible and customisable; being the most practically and professionally oriented of the choices; being the most experience based; and that choosing to work toward a certification provides the best networking opportunities."

Contact Matthew Harrison:
matthewh@b2binternational.com

B2B PEOPLE MARK HEDLEY



Contact Mark Hedley:
markh@b2binternational.com

Asia Business Development and Research Manager Mark holds a Masters degree in Chinese Business from the University of Sheffield. Fluent in Mandarin, he has also lived and worked in China for more than six years.

Prior to joining B2B International, Mark worked for a market entry consultancy based in Shanghai, assisting companies from a range of industries in developing their China market research and market entry strategies. Previously, Mark has worked in the UK chemical industry, and additionally has experience as a corporate trainer, providing

language and business training to the Chinese staff of multinationals such as Siemens, Bayer and Pepsi.

In his time at B2B International, Mark has undertaken market research projects across Asia for a range of multinational clients in the fine chemicals, engineering, electronics, medical device and engineering plastics sectors. He also has considerable experience advising companies on a range of China-related issues, including manufacturing site selection, partner selection and management, IP protection

strategies, and the challenges faced selling to Chinese companies.

When not working or travelling in Asia, Mark is a keen outdoors enthusiast. He likes to spend his time walking and cycling in the Peak District close to his native hometown of Sheffield, and he has recently taken up climbing too. He is also a keen reader and enjoys nothing more than spending his Sunday mornings examining the newspapers and sipping on a frothy cappuccino.

B2B PEOPLE MOVES

■ **Julia Cupman** and **Oliver Truman** have been appointed as Directors of B2B International. Julia is now responsible for North American strategy and operations, and Oliver is responsible for IT and the use of technology to improve B2B International's offering and internal processes.

■ The Asia-Pacific team is strengthened by the addition of multi-lingual **Kristine Oppelstrup** as Research Executive.

■ **Gerry Caffrey** has joined the New York office as Research Manager, and **Daniel Attivissimo** as Research Analyst, while **Cristin Malone** has been promoted to the position of Research Manager.

■ **Kyle Cockett** joined the UK headquarters as Research Executive, and **Maud Leroyer** as International Research Executive. Maud, fluent in French, Spanish and English, will focus on European research studies.

B2B INTERNATIONAL RECORDS STRONG GROWTH

B2B International enjoyed another year of rapid growth in 2010. This was led by our New York office (58% year-on-year growth) with the UK/mainland Europe operation continuing its growth for the thirteenth consecutive year.

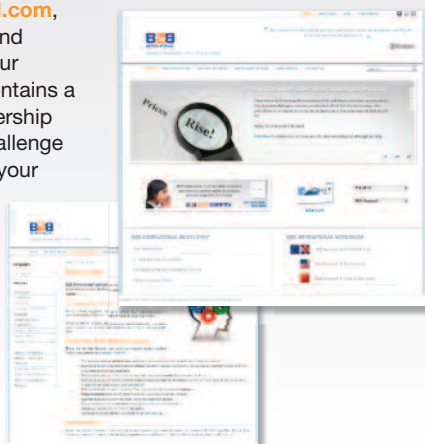
CEO Matthew Harrison explains: "These results mean that the company has more than doubled in size since the end of 2006, when we stepped up our growth targets. We have embarked upon an

aggressive strategy of international expansion as well as tripling our investment in marketing. Almost three-quarters of the work we do is now international as opposed to country-specific."

In addition to this impressive organic growth, at the end of 2010 the company took a 50% stake in communications agency B2B Marcomms, cementing B2B International's expansion downstream towards campaign execution and value proposition development.

FRESH SURFING

Take a look at our revamped corporate website, www.b2binternational.com, for all the latest news and research techniques. Our Publications section contains a wealth of thought-leadership pieces, designed to challenge your thinking and help your business grow.



GO TEAM USA!

B2B International is delighted to be the official shirt sponsor of the USA national polocrosse team, competing at the World Cup in July. The tournament will be held at the Onley Grounds Equestrian Centre in Rugby, UK.

While polocrosse might seem an unusual sport for Americans to play, it resembles the American Indian game of lacrosse. A racquet sport played on horseback, it is a fast-paced game that combines the speed of polo and the strategy of chess with the ball handling skills of lacrosse.

Wow...perhaps our research team should start playing!



B2B INTERNATIONAL LTD
Bramhall House | 14 Ack Lane East
Bramhall | Stockport | Manchester
England | SK7 2BY
tel: +44 (0)161 440 6000
fax: +44 (0)161 440 6006
email: info@b2binternational.com
www.b2binternational.com



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