Emerging Market Strategy: Creating Order out of Chaos

Key Concept
New and emerging markets present a wealth of opportunities but they also comprise highly complex business environments that can change rapidly. The key to success is understanding – understanding competitors and what they are up to; understanding consumers and what they want, now and into the future; and understanding the host governments of the countries you are targeting. It’s a complex process but recent research proposes a two-step approach to strategic thinking that can help make sense of these emerging economies.

Idea Summary
Change forms a huge part of our world today, whether we like it or not. The pace of technological progress is phenomenal, while the growth of emerging markets is one of the most striking forces of change. Not only are we seeing more international competitors in a range of sectors (emerging market companies currently comprise 25% of the Global Fortune 500 list, compared with only 6% in 2006) but we are also witnessing the growth of a new consumer base in the countries of these new economies, which by 2020 is predicted to represent half the world’s GDP.

How you view the challenges of these new markets depends on whether you see them as a threat or opportunity. And that can depend upon the strategic decisions you take. The rise of emerging markets makes the process of strategic planning more complicated, as companies learn to deal with the unknown. They have to position themselves with new groups of consumers they have never targeted before; they have to deal with bureaucratic processes and governments that have hitherto been alien to them; they have to innovate to do battle with the new competition; and they have to be flexible, able to cope with the (sometimes) rapid changes an immature and emerging market subjects them to.

This research points to the need for a simple but well-structured approach to strategy as a way of dealing with the complexity of working in new markets. Having the correct insights can mean the difference between success and failure in responding to the opportunities offered by emerging economies.

Business Application
An emerging-market strategy requires properly structured strategic thinking that is aligned with changing competitive contexts.

Step 1 - Identify a unique competing space
This is the space your company occupies which no other can beat, where you have the upper hand. But defining that space requires you to have a clear understanding of your competitors' positioning in the market. Take Mercedes in China as an example – although it has now regained much ground in this fiercely competitive economy, in the past it had moved from market leader position in the luxury car segment to being overtaken by BMW and Audi. It was overtaken because it lost focus on the changing positioning of its rivals. They moved more upmarket, staging aggressive launches of sportier cars that wealthy Chinese consumers could drive without chauffeurs, and reaped the rewards of higher sales.

Examine your customers too – failure to read multiple trends might mean you miss out on new markets and new customers. Your core customers today might have changed tomorrow. Again, taking China and the car market as an example, there is now increased demand for small fun cars as epitomised by the ‘smart’ range, from younger consumers, aware of stringent carbon emission targets on the one hand and increasing congestion on the other. Understanding the dynamic nature of your competitor and consumer environments is essential to maintain your unique competing space. And it’s a process of continuous realignment to adapt to any changes in both environments.

**Step 2 – Define the value proposition**

The value proposition is fundamental to your emerging market strategy as it provides substance to your unique competing space, making everything more intelligible for your people and your stakeholders.

Identify where you see opportunities for making a difference in your chosen market, what the concerns of that market are and how best you can respond. For example, the Smart Car range helped Mercedes blend luxury with technology and ecology, an issue that is becoming increasingly important to the Chinese. Whether you invest in more R&D, improve staff training, or diversify your range, your aim is to differentiate yourself from the competition.

That is ultimately what strategy is about – winning business on the basis of a uniquely differentiated and superior offering against increasing and evolving competition. By defining your unique competing space and value proposition you can develop that strategy in a structured, simple way and put some order around the complex and sometimes chaotic nature of markets that develop in emerging economies.

**Further Reading**


**Further Relevant Resources**

Stéphane J. G. Girod’s profile at Henley Business School
George Tovstiga’s profile at Henley Business School
Henley Business School Executive Education profile at IEDP

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