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Final assignment:

"When emerging countries require to add the "further Ps" to the essence of Marketing"

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"When emerging countries require to add the "further Ps" to the essence of Marketing"

Abstract:

Further than just considering the traditional 4Ps linked to the now classic identification of Marketing Mix, we have thought interesting to assess which could be the specific further issues to deal with, when marketing in emerging countries (with a special attention to Sub-Saharan Africa), and how to best consider them. We have labelled the four identified issues the "further Ps", as in economical "Parsimony", cultural "Perception", "Political" heritage and digital "Picking-up".

One of the oldest concerns of international marketers though, is whether the "foreignness" of a product will make it less preferable to consumers in different countries. Consequently, taking existing products into new geographic markets can only be a strategy for companies which are leaders in their field and who are able and willing to continuously raise the level of competition. Pioneering in a new geographic market is no shortcut for smaller companies to secure leadership in new markets in the long run.

Rather than concentrating solely on developing "low-cost" products to entice prospective low-income customers, successful firms will focus on maximizing the overall value proposition of their products. Evidently, the scale of international marketing activities among multinationals in Africa is considerable as the world increasingly becomes a global village. Many examples abound in virtually all of the sectors of the African economy – manufacturing, oil, banking, construction, telecommunication, retailing, entertainment and many others. The continent has been acknowledged as the second largest and second most populous continent, after Asia, and with 54 countries, accounts for about 16.5% of the world population.

The acceptance of the brand is not only about the brand perception but also about the consumer experience at the point of sale. For managers who have to operate in an unfamiliar culture, training based on home-country theories is of very limited use and may even do more harm than good. Of more importance is a thorough familiarization with the other culture, for which the organization can use the services of specialized cross-cultural training institutes - or it can develop its own program by using host-country personnel as teachers. This is especially necessary as increasing evidence also suggests that Western management theories need to be adapted to local cultural features of African countries.

As markets develop, local companies begin to develop a market orientation, and their ability to focus on customers and competitors, and coordinate across functions. Hence, there is likely to be a positive correlation between the degree of economic development of an emerging market and the value of marketing used by the local companies from these emerging markets.

The African e-commerce market will rise from US$ 8 billion in 2013 to US$ 50 billion by 2018. The growth of e-commerce is a unique opportunity to open access to international markets for Small and Medium-sized Enterprises (SMEs) in developing and least developed countries (LDCs). Although Africa is both large and diverse, with specificities that vary by region and country, the common challenges or barriers can be grouped into four broad areas, which are (A) financial and related barriers, (B) infrastructure barriers, (C) sociopolitical barriers and (D) digital divides".

Emerging marketing

While looking at how best to introduce a new product line of organic cosmetics[1] to an emerging country such as South Africa, the present document will mainly remain focused on which specific aspect of marketing those emerging countries require special attention to. Indeed, further than just considering the traditional 4Ps linked to the now classic identification of Marketing Mix (McCarthy, 1960), we have thought interesting to assess which could be the specific further issues to deal with, when marketing in emerging countries (with a special attention to Sub-Saharan Africa), and how to best consider them. We have labelled the four identified issues the "further Ps", as in economical "Parsimony", cultural "Perception", "Political" heritage and digital "Picking-up".

Yet, as a start it is worth remembering where Africa[2] stand on the world (key indicators) map. Today's estimated African population of 1.2 billion represents about "16.5% of world's total, and will rise to 2.5 billion by 2050, or around 25.5% of the world's total population[3], making it an attractive (consumer-based) region for any business, especially cosmetics. Many African countries qualify as developing or Least Developed Countries (LDCs): Gross National Income (GNI) per capita in Sub-Saharan Africa (developing only) is assessed at $1,638 (2014[4]), which is about one quarter (23,76 percent) of the Europe & Central Asia (developing only) one, assessed at $6,892[5] but on the increase years after years.

However, as cosmetics are targeting mostly urban-female consumers, it is worth mentioning that according to UN-Habitat[6], Sub-Saharan Africa currently has a slum population of 199.5 million people, 61.7% of its urban population, whereas data from the latest Human Development Index ("*which was created to emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth alone*"), assesses that in Sub-Saharan Africa, "*the average HDI value of 0.475 is the lowest of any region, but the pace of improvement is rising*". Between 2000 and 2012, the region "*registered average annual growth of 1.34 percent in HDI value, placing it second only to*

[1] We will here consider the French line of cosmetics, from the ROCHER Group ("Creator of Botanical Beauty®"), http://www.groupe-rocher.com/en/yves-rocher-0), as the common thread to illustrate our academic analysis of the additional issues to consider when marketing in emerging countries.
[2] Until written otherwise, the term "Africa" will encompass in fact "Sub-Saharan Africa" (SSA) for ease of data gathering.
[3] Population Reference Bureau, 2015.Retrieved on January 14th, 2016 from http://www.prb.org/wpds/2015/
[4] The World Bank, "GNI per capita, Atlas method (current US$), Sub-Saharan Africa (developing only)", 2014. Retrieved on January 14th, 2016 from http://data.worldbank.org/region/SSA
[5] The World Bank, "GNI per capita, Atlas method (current US$), Europe & Central Asia (developing only)", 2014. Retrieved on January 14th, 2016 from http://data.worldbank.org/region/ECA
[6] UN Habitat "Housing & slum upgrading" .Retrieved on January 14th, 2016 from http://unhabitat.org/urban-themes/housing-slum-upgrading/

South Asia, with Sierra Leone (3.4%) and Ethiopia (3.1%) achieving the fastest HDI growth”[7]. It may bode well though, for meeting a growing economy with a clearly identified goal of offering “reasonably priced botanical and organic cosmetics”.

Further to it, one shall remember that one of “*the oldest concerns of international marketers is whether the “foreignness” of a product will make it less preferable to consumers in different countries*”, as stressed by Mukherjee (2013). Consequently, taking existing products into new geographic markets “*can only be a strategy for companies which are leaders in their field and who are able and willing to continuously raise the level of competition. Pioneering in a new geographic market is no shortcut for smaller companies to secure leadership in new markets in the long run*” stated Baker and Becker (1997), which is the case of the ROCHER Group with 56 years of existence, 15 000 employees, €2.1 billion turnover and over 500 million products delivered each year[8].

Indeed, Harvey et al. (2000) indicate “*the significance of group orientation, tribal loyalty, obedience to elders and the law among key factors that relate to their work values and motives*”, to which, with emphasis on marketing environment and the analysis of the relevant factors, Nwankwo (2000) emphasizes “*the need for marketers to carefully note the peculiarities of Africa in their marketing practices*”. To which cautions Gbadamosi (2013) on “*the undue generalizations in the literature about consumer involvement in marketing stimuli and argues that cultural values and mores would weaken the relevance of the existing postulations on consumer involvement if applied unmodified in the African context*”.

Emerging markets in fact, are “*low-income, rapid-growth countries using economic liberalization as their primary engine of growth*” (Hoskisson et al., 2000), as economies evolve, underpinned by pro-market reforms, marketing “*increasingly becomes a core activity for the firm. This centrality of marketing is based on three features of an economy adopting pro-market reforms: (A) that consumer needs are paramount, and that a firm need to understand and respond to consumer needs; (B) that firms will increasingly operate in a competitive environment wherein competitors will also seek to understand and satisfy customers; and (C), consumers will have choices in deciding which firm to patronize*”. The international presence of the ROCHER Group[9] in nearly 110 countries ensuring such understanding.

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[7] *Retrieved on January 14th, 2016 from* http://www.undp.org/content/undp/en/home/presscenter/pressreleases/2013/03/14/human-development-index-in-2013-report-shows-major-gains-since-2000-in-most-countries-of-south.html

[8] *Retrieved on January 14th, 2016 from* http://www.groupe-rocher.com/en/group-yves-rocher

[9] *Retrieved on January 14th, 2016 from* http://www.groupe-rocher.com/en/international-group

Finally, as Frost & Sullivan[10], estimates that the African e-commerce market will rise from US$ 8 billion in 2013 to US$ 50 billion by 2018, it is interesting to assess how that may impact on the ease of access to consumers (whether for e-trade or e-communication) in emerging countries. According to the International Trade Centre (2015), there are "*several reasons why this projection is realistic. (A) Africa's e-potential is as yet untapped. Currently only 26.5% of the continent's 1-billion-plus people are connected to the Internet, compared to a global average of about 45%. (B) increasing use of the Internet (and related technologies) is typically accompanied by a rise in ecommerce activity, and this is likely to apply to Africa as well*". It is further assessed that e-commerce could account for 10% of retail sales in Africa's largest economies by 2025, industry observers predicting that the development of e-commerce in Africa will "*outstrip that of traditional retail space – and could grow at a faster rate than in developed countries*".

Although broadband subscriptions have increased significantly worldwide, there are still far more people without access than with it. The situation is particularly dramatic in Africa, "*where the broadband penetration rate was estimated in late 2014 at only 0.4% of the population*" (International Trade Centre, 2015[11]). It is estimated that of the 940 million people living in the LDCs, only 89 million use the Internet, corresponding to a 9.5% penetration rate Although broadband subscriptions have increased significantly worldwide, there are still far more people without access than with it. The situation is particularly dramatic in Africa, where the broadband penetration rate was estimated in late 2014 "*at only 0.4% of the population*" (International Trade Centre, 2015). Yet, a Digital Africa survey conducted in 2015 by Ovum[12] assessing that Africa to have 1 billion mobile broadband subscriptions by 2020.

economical "Parsimony"

The African Development Bank[13] defines a middle class African as "*someone who spends between $2 and $20 a day*". As cited by Wadongo (2014[14]), "*recent survey of Kenya by the polling firm Ipsos found that 93 per cent of households in the country of 42 million have monthly incomes of under Sh40,000 ($450). A Standard Bank survey of 11 sub-Saharan African*

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[10] The Next Web. Why success in African e-commerce is all about scale and biding your time, 2014. Retrieved January 14th, 2016, from http://thenextweb.com/insider/2014/12/23/success-african-e-commerce-scale-biding-time/.

[11]International e-Commerce in Africa: The way forward. International Trade Centre 2015. Geneva: ITC, 2015. xii, 47 pages (Technical paper) Doc.No. EC-15-364.E

[12] Africa Market Outlook, November 2015. Retrieved January 14th, 2016, from http://info.ovum.com/uploads/files/Africa_Market_Outlook_report_November_2015.pdf

[13] Market Brief. April 20, 2011. The Middle of the Pyramid: Dynamics of the Middle Class in Africa P2. Retrieved January 14th, 2016, from http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/The%20Middle%20of%20the%20Pyramid_The%20Middle%20of%20the%20Pyramid.pdf

[14] Africa rising? Let's be Afrorealistic Evans Wadongo in Nairobi Guardian Professional, Friday 7 November 2014

countries, which together account for about half of Africa's gross domestic product, found that 86% of their households remain in the low-income band".

Yet, rather than "concentrating solely on developing "low-cost" products to entice prospective low-income customers, successful firms will focus on maximizing the overall value proposition of their products", cites Dr Elsamari Botha[15]. Evidently, the scale of international marketing activities among multinationals in Africa "is considerable as the world increasingly becomes a global village", cites Gbadamosi (2013). Many examples abound in virtually all of the sectors of the African economy – manufacturing, oil, banking, construction, telecommunication, retailing, entertainment and many others. The continent has been acknowledged as the second largest and second most populous continent, after Asia, and with 54 countries[16], accounts for about 16.5% of the world population.

As such, Multinational Companies (MNCs), such as the ROCHER Group (with 12 countries of activities in Africa, among which six in SSA[17]). are beginning to adapt their developed market strategies as they tackle the complex, volatile, high-potential opportunities in emerging markets. "*As practices change, marketing models are likely to embrace the practices amid new learning coming from emerging markets*" (Arnold and Quelch, 1998).

cultural "Perception"

New brand's acceptance is based on "*explanatory variables like brand loyalty, product class usage, deal coverage, deal size and brand identity*" (Aaker 1972). "*The consumer response to foreign brands in terms of attitude and behavior depends on the perception of product quality, brand and word of mouth*" (Ergin & Akbay, 2010). "*The literature review identified First Mover Advantage (FMA), Sales Force Empathy, Self Brand Connect and Impact of Marketing Communication to adequately explain the acceptance of the global brand*", cites Mukherjee (2013). As such, "*being first in an emerging market and communicating pioneer status is more important in emerging markets than in a mature markets*" (Mady, 2011). A Brand is more likely to be retrieved and chosen if it serves as a pioneer as opposed to being a follower (Kardes, et. al., 1997). These findings suggest that there is a definite advantage of being a pioneer brand and thus first mover advantage is a key element in brand acceptance. In that respect the main (global) competitor of the ROCHER Group, the

[15] 2015 case study: The future of newspapers: soccer Laduma South Africa. As shared by the University of Cape Town, Graduate Business School. October 2015.

[16] Retrieved January 14th, 2016, from http://www.africa.com/countries/

[17] Retrieved January 14th, 2016, from http://storelocator.yves-rocher.com/en/africa/

UK based “The Body Shop” branched into South Africa[18] in June 2001, years earlier than the ROCHER Group.

The acceptance of the brand is not only about the brand perception but also about the consumer experience at the point of sale. For managers who have to operate in an unfamiliar culture, training based on home-country theories is of very limited use and may even do more harm than good. Of more importance is a thorough familiarization with the other culture, for which the organization can use the services of specialized cross-cultural training institutes - or it can develop its own program by using host-country personnel as teachers (Hofstede, 1980). This is especially necessary as increasing evidence also suggests that “*Western management theories need to be adapted to local cultural features of African countries*” (Blunt, 1983 cited in Harvey et al., 2000).

This is in tune with the view of Darley and Blankson (2008) in their study on African culture and business market that, marketers need to be more receptive to cultural differences in their dealings in Africa. Similar argument is advanced by Karsten and Illa (2005) showing that, in African tradition, “*it is the community that recognizes an individual as a person, which is the main message embedded in Ubuntu. Hence, they state that African philosophy is well rooted in Ubuntu, which emphasizes unity*’. Understandably, “*there may be exceptions about the extent to which this phenomenon is embraced among non-Black Africans, especially in places like South Africa where evidence indicates some differences in consumption pattern among Black and non-Black Africans*”, as cited by Gbadamosi (2013).

A thorough look at the existing literature especially on categorization of product into low and high involvement (such as cosmetics) would reveal that “*most of these are not amenable to African market. Indeed, cultural differences strongly necessitate that African-based empirical studies be conducted to put things in the right perspective*”, further assesses. Gbadamosi (2013). Firms should develop societal marketing programs and improve their firms’ Corporate Social Responsibility (CSR) legitimacy and performance in emerging markets. “*Consumers and societies in international markets today are paying more and more attention to such issues as CSR and sustainable development. Firms being able to meet the demands of institutional environments in international markets will find it easier to foster goodwill and obtain support from their customers, which in turn should enable them to do a good job in international marketing*”, underline Zeng et al. (2013).

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[18] *Retrieved January 14th, 2016 from http://www.thebodyshop.com/services/aboutus_history.aspx*

“Political” heritage

Prior to the initiation of pro-market reforms, many emerging markets had had a history of state-led economic development. “*The state-led economic development model involved the state becoming an active “agent” of social transformation*”, states Rapley (1996) through various socialist policies. “*Developing countries were at different stages of economic development at their start of pro-market reforms. They are typically defined as the “fast growing and liberalizing” countries in Asia, Latin America, Africa, and the Middle East*” add Hosskisson et al. (2000).

As markets develop, “*local companies begin to develop a market orientation, and their ability to focus on customers and competitors, and coordinate across functions*”, as cited by Sarathy and Banalieva (2014). Hence, there is likely to be a positive correlation between the degree of economic development of an emerging market and the value of marketing used by the local companies from these emerging markets.

Digital Picking-up

“The digital divide in Africa is “not between rich and poor, it’s between urban and rural…..….this isn’t just due to the lack of population density, which scares away the telcos…..it’s also due to the lack of capital for them to upgrade their personal devices”, states Hersman[19].

Yet, as cited by the International Trade Centre (2015[20]), “Frost & Sullivan, an American market research and consulting company, estimates that the African e-commerce market will rise from US$ 8 billion in 2013 to US$ 50 billion by 2018. There are several reasons why this projection is realistic. First, Africa’s e-potential is as yet untapped. Currently only 26.5% of the continent’s 1-billion-plus people are connected to the Internet, compared to a global average of about 45%. Second, increasing use of the Internet (and related technologies) is typically accompanied by a rise in ecommerce activity, and this is likely to apply to Africa as well. A McKinsey & Company report (July 2014) indicated that e-commerce could account for 10% of retail sales in Africa’s largest economies by 2025.

The growth of e-commerce is a unique opportunity to open access to international markets for Small and Medium-sized Enterprises (SMEs) in developing and least developed

[19] *Co Founder and CEO company BRCK. https://www.brck.com/*
[20] *International e-Commerce in Africa: The way forward. International Trade Centre 2015. Geneva: ITC, 2015. xii, 47 pages (Technical paper) Doc.No. EC-15-364.E*

countries (LDCs). The International Trade Centre (2015)[21] assesses that "*e-commerce – estimated at over US$15 trillion for annual business-to-business transactions and well over US$1 trillion for annual business-to-consumer trade – is now business as usual in developed countries. However, this is not the case in many developing countries where use of e-commerce remains low. The current share of consumer e-commerce by African enterprises, for example, is below 2%, and has enormous potential. By 2018, the African e-commerce market is projected to soar to US$ 50 billion, from just US$ 8 billion in 2013*". E-commerce has great potential to become a significant part of the economic activity of countries throughout Africa. Increasing digital literacy and unprecedented new demand are occurring at the same time as breakthrough developments in infrastructure and technology.

As cited by The International Trade Centre (2015), "*according to a study by the McKinsey Global Institute, the Internet's contribution to the gross domestic product (iGDP) accounted on average for 3.4% of GDP in the Group of Eight (G8) countries (Canada, France, Germany, Italy, Japan, the Russian Federation, United Kingdom, United States) and Republic of Korea, Sweden, Brazil, China and India.8 Differences between countries are significant. In the Russian Federation, for example, the Internet accounts for only 0.8% of GDP, while in Sweden the estimated contribution to GDP is 6.3%. Between 2004 and 2009, that contribution averaged 21% among the mature economies, but only 3% in Brazil, the Russian Federation, India and China (the BRIC countries). In a more recent report, McKinsey found that Africa's iGDP was just 1.1% in 2012, or about half the level seen in other emerging economies (Figure 2).9 This has very positive implications for the potential growth of e-commerce on the continent*".

There appears to be many barriers to African e-commerce start-ups, such as "a lack of trust, the cost of Internet access, logistics, lack of an open market, and digital divides. However, the low Internet penetration rates, which, despite being the lowest in the world, are steadily rising. "*Although Africa is both large and diverse, with specificities that vary by region and country, the common challenges or barriers can be grouped into four broad areas, which are (A) financial and related barriers, (B) infrastructure barriers, (C) sociopolitical barriers and (D) digital divides*" (International Trade Centre, 2015).

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[21] [21]*International e-Commerce in Africa: The way forward. International Trade Centre 2015. Geneva: ITC, 2015. xii, 47 pages (Technical paper) Doc.No. EC-15-364.E*

Conclusion

Firms can achieve a competitive advantage across different institutional environments by building and deploying marketing capabilities that is, their ability to sense and meet customers' demands. "*Deficiencies in motivation, opportunity, and ability constrain these firms from shifting to more marketing-driven business models*". Moreover, international marketing also must address the additional challenges arising from operating abroad, such as "*market unfamiliarity, country-of-origin effects*" assesses Kaufmann and Roesch (2012).

With connectivity rates improving, largely as a result of the increased ubiquity and inexpensiveness of mobile devices, there is a new opportunity for enterprises and potential buyers alike to engage in "m-commerce"[22]. Selling to African customers will increasingly be "*focused on mobile platforms, as many e-commerce platform providers, have all recently rushed to create mobile versions of their stores, while some web service provider uses mobile application development to offset a lack of Internet connectivity*" (International Trade Centre 2015).

[22] *Ghana News Agency. 27 February 2014. Government Develops 24/7 Free Call E-Extension Platform. Retrieved January 14th, 2016 from http://www.ghananewsagency.org/social/government-develops-24-7-free-call-e-extension-platform-71408*

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