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Key Consumption Features of Eight Emerging Economies and Their Implications for Business

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ABSTRACT

Emerging economies have achieved a high level of economic growth over the past ten years with private consumption growth estimated at over 7%. Along with an improvement in overall earnings and living standards in these economies, middle-income households with annual disposal income of more than USD5,000 are expected to shoot up to 170 million households in 2015 from 87 million households in 2005. As their pattern of consumption is transcending from "living for livelihood" towards "living for values," while showing signs of global homogenization due to wider market openings in the fields of culture and media, they are now emerging as a huge consumption bloc. As emerging economies are coming into their own as consumption markets, an increasing number of multinational companies are paying attention to consumption trends in these countries.

In most of the emerging economies, albeit somewhat different from country to country, young people residing in metropolitan areas with a high level of income and education are emerging as a new central consumption group, leading the overall consumption trend. They have three characteristics in common. First, they tend to prefer Western brands as a way to express importance or individual personality. Mid- and low-priced global brands, in particular, are enjoying a rising popularity among these people. Second, along with improvements in the quality of both daily lives and distribution infrastructure, coupled with a decline in the share of food, clothing and residential expenses in total consumer spending, optional consumption, a term to describe the consumption of non-essential services such as leisure, travel and education, has risen dramatically. Finally, a new pattern of consumption (i.e., present-oriented) is forming among young people as they are increasingly geared towards "enjoying the present."

Based on the full consideration of consumption features and retailing infrastructure conditions in these emerging economies, this paper provides businesses with five strategies to establish a clearer profile of the region. First, businesses need to develop low- and mid-priced brands in order to appeal mainly to consumers who are sensitive to both brand and price. Second, in parallel with efforts in leveraging their global brands, businesses also need to accelerate the localization of their products and services in order to better meet the social and cultural differences of countries. Third, they need to develop new business models to further compensate for the weak

purchasing power of the younger demographic in emerging economies, with a strategy involving financial products. Fourth, for those plagued by weak marketing infrastructure and a lack of brand recognition, placing a marketing focus on the public interest in collaboration with government and municipal authorities would be an effective strategy. Lastly, businesses need to make active use of new media in order to acquire more attention from its younger customer base.

TABLE OF CONTENTS

I. Emergence of a New Consumer Class in Emerging Economies

Emerging markets, in general, means "rising markets" or "new markets." This term refers mainly to rapidly growing financial markets, particularly capital markets. The term can be used to describe developing countries which experience a relatively high level of economic growth and rapid industrialization. In other words, from an international perspective, it refers to markets into which a huge amount of financial capital flows from foreign countries amid expectations for high returns, thereby accelerating economic growth and market opening. In this sense, the term is commonly used as a proxy to measure the degree of capital market development in underdeveloped and developing economies.

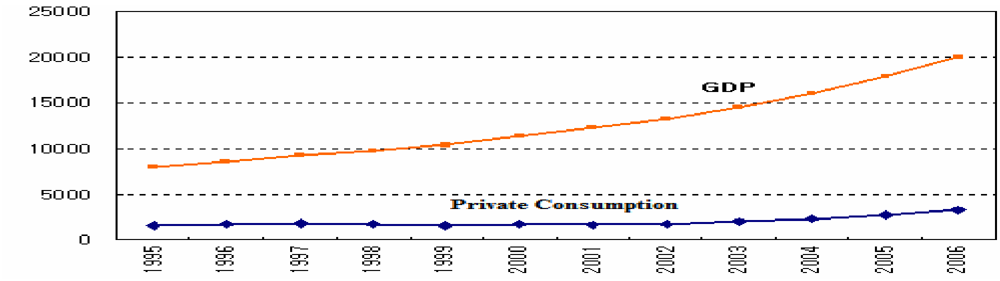
Among today's most exemplary emerging markets are BRIC and VISTA. BRIC is a term used to represent the economies of Brazil, Russia, India and China, while VISTA refers to the countries of Vietnam, Indonesia, South Africa, Turkey and Argentina.

There is a growing need for Korean firms to conduct a full review of emerging economies as new consumption markets, given the possibility that they could develop into a central axis in the growth strategies of businesses. Under these circumstances it is becoming increasingly important to study and analyze the key characteristics of emerging economies as new consumption markets and their implications for businesses. This paper aims to offer in-depth insight on eight out of the nine emerging markets (Argentina was excluded due to a lack of information), while reviewing which strategies businesses can employ to make bigger forays into these markets.

As a first step towards this end, this study analyzes the implications of the eight emerging economies as an aggregate consumption market. The emerging economies, including large economies like China and India, have been growing at a strenuous pace. For instance, China's annual GDP growth rate averaged 11.3% over the past ten years, followed by India at 8.5% and Vietnam at 9.2%. The combined GDP of the eight emerging economies represented 30.1% of the world's total in 2006.

Figure 1. Trajectory of GDP and Private Consumption Growth in Emerging Economies

(Unit: $1 billion)



Note: Based on purchasing power parity

Source: The Economist Intelligence Unit, "Market Indicators and Forecasts"

Backed by continuous economic growth, private consumption has been growing fast in all countries except Brazil. In particular, China's annual private consumption growth averaged 9.2% over the past ten years, the highest compared to that of other countries. India, Russia, Turkey and Vietnam also registered robust average growth of more than 7% during the past ten years.

Economic growth, coupled with an improvement in consumer sentiment, has naturally led to the expansion of a middle-class in emerging economies. Although there are many other ways to identify this income class, middle-income households refer to those with annual disposal income of more than USD5,000. Individuals in this group can afford to enjoy a "minimum level of luxury." The number of middle-income households in the eight emerging economies is expected to soar to 170 million households in 2015 from 87 million households in 2005.

Figure 2. Income Distribution Trend of the Eight Emerging Economies

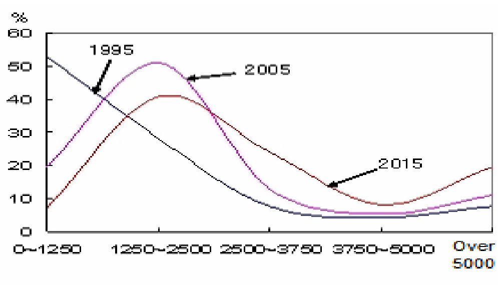
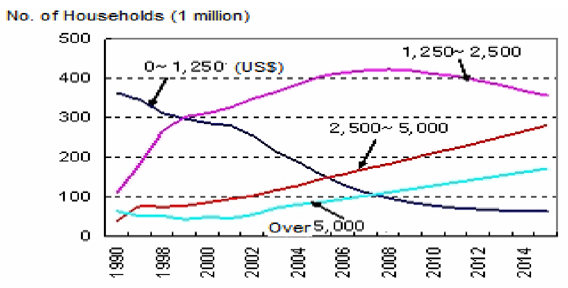


Figure 3. No. of Households by Income Level of the Eight Emerging Economies

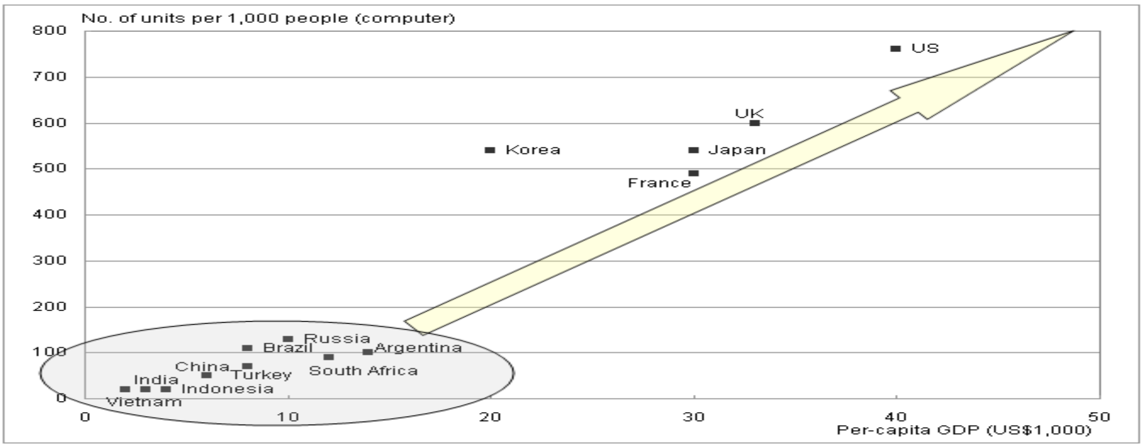


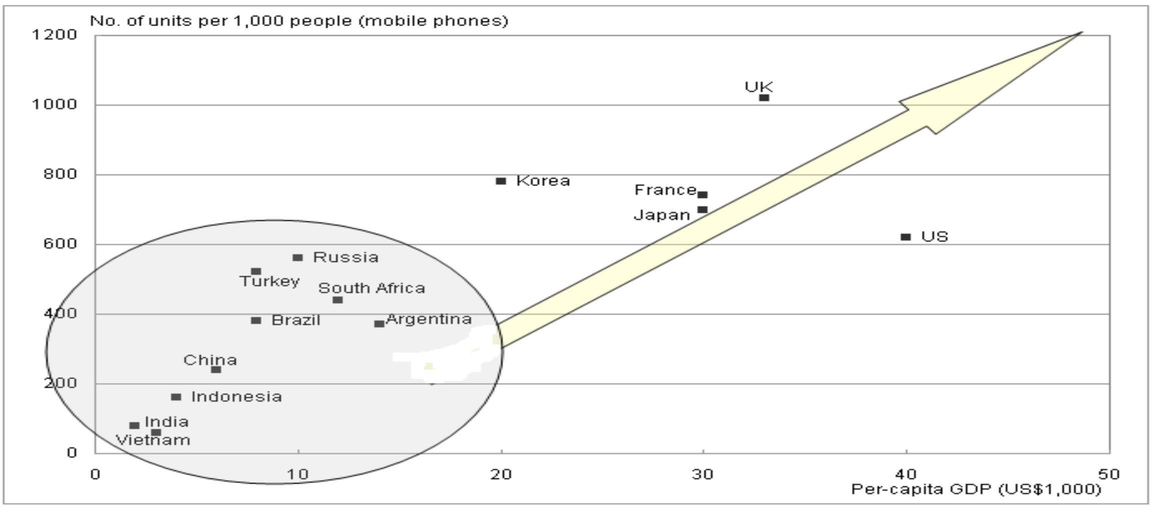
Note: Figures after 2006 are estimated by SERI based on demographic and income distribution trends for BRIC and VISTA countries excluding Argentina.

Source: World Bank (WDI Online): Euro Monitor, "World Income Distribution 2006/2007," 2006

Along with growth in overall earnings, the emerging economies are expected to transform into huge consumption markets. The total PPP-based GDP level of the eight emerging economies stood at $17.5 trillion in 2005, a level equivalent to about 80% of the US, Japan, Germany, France and the UK combined.

Figure 3. No. of People Owning Computers and Mobile Phones





Note 1: Per-capita GDP is based on PPP

2: The number of computers and mobile phones per 1,000 people is based on 2004 data

Source: World Bank (WDI Online), Global Insight Database

II. Current State and Key Features of Consumer Markets by Country

This section takes a closer look at the constituents of the new consumer class, what characteristics they have and the difference of wholesale/retailing environments by country.

Table 1. Characteristics of New Consumer Class and Distribution Market by Country (BRIC + VIST)

Country	New Consumer Class	Consumer Characteristics	Wholesale/Retailing Environment
Brazil	People with low income who newly join the middle class	-Price-sensitive pragmatic consumption -Irregular consumption	The food & beverage sector is led by global firms, while the home appliance sector is led by local firms
Russia	Highly-educated people who pursue a western lifestyle, residing in metropolitan areas	-Low brand loyalty -Increase in impulsive purchasing	Led by global firms
India	Young people less than 35 years of age	-Despite preference towards global brands, they lack purchasing power, thereby raising the popularity of low- and mid-priced global brands	Led by local firms on the back of the government's protective policy
China	Highly educated residing in metropolitan areas; Post-80s generation	-Increase of consumption -Priority is given to brand and personality	Enlargement of distribution is progressing at a rapid pace
Vietnam	Economically active female population that accounts for 52% of total population	-Preference towards low-priced products -Given income levels, the share of durable consumer goods in total consumption expenditure is high	Not modernized
Indonesia	Overseas Chinese and younger generation	-High share of food, clothing and residential expenses in total consumption expenditure	Wholesale/retailing market was recently opened to foreigners
South Africa	Black households with fast rising incomes	-Consumption of luxury goods for ostentatious display -Short product replacement cycle	Led by local firms
Turkey	Traditional middle class	-High share of food, clothing and residential expenses in total consumption expenditure -Preference towards purchasing items that family members can share -Price-sensitive	Led by major European firms

1. Brazil –Installment sales often seen as discount benefit due to high interest rates

The inauguration of the Lula administration in early 2003 brought about a drastic change in Brazil's economic policy. Despite being left-wing, Lula shifted towards the right in economic policies thereby succeeding in stabilizing the market. However, many people share the view that his economic reforms have not born much fruit. Over the past twenty years, the Brazilian economy experienced repeated cycles of recoveries followed by long slumps, earning the nickname "the roller-coaster economy." When economic slumps occur in such a repeated manner together with consistently high inflation, consumers tend to become naturally sensitive to prices in their purchasing decisions.

Brazil is a country which exhibits a severe case of income inequality. The country's Gini coefficient stood at 0.593 in 2003, ranking 8th out of 177 countries surveyed. Plagued by stark income disparities across regions and classes, Brazil is now referred to as "Belindia" by a group of academic scholars, a term that describes the similarity of income levels in the southern part of the country to those of Belgium, and those in the northeastern part of the country to those of India. Accordingly, low-end products with basic functions are popular among most Brazilians. They also have a strong preference towards installment plan purchasing, regarding it as a type of price discount due to the country's high interest rate levels.

2. Russia – Overall income of middle class is rising quickly due to sky-high oil prices

One of the most striking features of Russia's economic structure is that it relies heavily on energy resources. The "energy-resource-dependent economy" refers to energy representing 10% of the country's GDP or over 40% of gross exports in energy resources. Indeed, a study shows that every one dollar decline in oil prices deducts $1.4 billion from government income. Accordingly, the recent hike in oil prices, coupled with economic growth, is playing a key role in boosting overall middle-class income.

Russia's consumption is characterized by a "dual structure," with 10% of the total population being affluent and poor representing 40%. The rich prefer high-end Western brands, while the poor prefer local brands or cheap imports.

A group of urban, highly-educated households have formed the middle class since 2001, emerging as a central consumer group. The decisive factor in purchasing decisions is shifting at a rapid pace towards brand names from price considerations. However, unlike the younger, high-income earners who tend to opt for brands with designs and functions that can satisfy their personal tastes, most of the middle-aged and elderly have a stronger preference towards Western brands as a way to flaunt their wealth and social status. Another major consumption feature is a high level of impulsive consumer spending.

3. India – Young people below 35 are taking the lead in consumption

As the Indian economy grows rapidly, positive expectations about the economy are spreading across society while major economic entities are exhibiting more confidence. Recently, India has accumulated a great amount of wealth due to an influx of global investment funds, a bullish real estate and stock market, and higher exports of IT services.

India has been regarded as a market with great potential especially because of the rise of a new consumer group: people below the age of 35 (two-thirds of the Indian population). Mckinsey & Company classified Indians into five economic classes and predicted that the weight of the middle class and above would increase from the current 5% to 43% by 2025.

Indian consumers are generally sensitive to prices but the aforementioned consumer group prefers brand products. They have little interest in premium brands yet they prefer global brands in the mid-price range. For instance, Korean companies such as Samsung Electronics and Hyundai Motors have made successful advancements in the Indian market. The Indian people's response to Korean products is generally "good but expensive."

4. China- Seize the little emperors

China has claimed the first place standing among all countries in terms of inbound foreign direct investment. In 2002, the country received the most foreign direct investment worldwide, topping the US. In 2006, it boasted the world’s largest foreign currency reserves, replacing Japan. It has also continued to post GDP growth of over 10% every year since 2003.

China is an attractive market due to a massive population and its potential for explosive buying power created by the rapid economic growth it experienced over the past few years. Chinese consumers are more and more interested in buying brand name products and favor types of products with unique features. Optional consumption such as spending on leisure and health products is on the rise among the urban middle-class.

Since the proliferation of the Internet, the information divide has been narrowing and e-commerce is now in full swing. The well-educated, urban dwellers of the younger generation have strong buying power. Specifically, the "little emperors," a term coined for the generation emerging from China's one-child policy, have long been the target of multinational companies. These young people are sensitive to fashion and have significant purchasing power on the back of their parents' support in addition to personal income. They tend to favor certain brands and products through which they can express their individuality and make purchases without price considerations.

5. Vietnam-Consumption is becoming more sophisticated in big cities

Vietnam has posted over 7% in economic growth every year since it opened up the country in 1987 under "Doi Moi," an economic reform policy. Since 2005, its annual economic growth rate has been exceeding 8%. Vietnam is currently making efforts to do away with its status as a poor country of Indochina and is implementing a five-year plan for socio-economic development to expand its economy into one comparable to that of Thailand.

Vietnamese consumers are very keen on prices. Since 80% of the population still live in poverty, many consumers buy low-priced products without labels of country origin. This explains why Chinese products have ranked number one in Vietnamese imports since 2003. The share of durable consumer goods in household consumption expenditure is quite high relative to income as basic living expenses incurred are kept quite low in its socialist system.

However, consumption in big cities is becoming sophisticated. Foreign company employees and people who are engaged in trade businesses lead in consumption. In the Diamond Plaza, a top-flight department store in Ho Chi Minh City, most multinational companies have set up their own shops, providing a wide selection of luxury brands. Motorcycles costing more than USD1,000 and cell phones priced at over USD500 are selling increasingly well. High-end LCD monitor and TV sales are growing by 50% every year.

6. Indonesia – A country with immense potential is becoming a large market

The Indonesian economy is in the middle of a transitional period. The country is shifting its focus on industries in natural resources like oil and natural gas to attempts in finding new growth engines in manufacturing industries such as fabrics, shoes, electronics and electronic parts, along with ambitions in the petrochemical industry. Indonesia has continued to attain over 5% growth since 2004 and posted 6.32% last year. However, despite high economic growth it has a consumption pattern similar to that in underdeveloped countries. Food, clothing, and shelter constitute a large part of the country's consumption. The share of spending on food, clothing, and shelter accounts for 77.5% of total spending in 2005 and out of this the share of spending on food and beverages reached 55.5%. Indonesia, still reeling from the Asian currency crisis in 1997 and tsunami in 2004, has not been able to depart from its underdeveloped consumption pattern in which price is the deciding factor for purchasing goods.

However, the country has some high-quality service markets in areas such as finance. This market targets the affluent like the overseas Chinese residing in the country. Overseas Chinese people are taking the lead in the Indonesian economy. Their companies account for 73% of listed companies in Indonesia.

Indonesia is considered to have great potential consumption power considering its large and relatively young population. Fifty percent of its population (220 million) is below 25 and 30% of its population is less than 14 years old.

7. Republic of South Africa - The biggest consumption market in Africa

South Africa's economy, which has entered into long-term growth, continues its upward trend on the back of high levels in private consumption, increasing facilities investments due to low interest rates, and low inflation. Favorable factors like a possible special procurements boom created by the World Cup in 2010, the higher income of black people and surging international raw material prices are likely to support its continual growth.

White people in South Africa enjoy the same level of wealth as Europeans. They prefer premium and high-end products and buy imported products from Europe.

Yet, though the nation abolished the Apartheid program in 1994, most of the black population, still of the lower classes, favors low-end products imported from China or other developing countries. An exception to the case would be the Black Diamonds, a newly-emerged group of wealthy people which pursue a better quality of life and exhibit a new pattern of consumption. As of May 2007, the black middle-class was estimated to be about 2.6 million, 9% of the total population with a 28% share of national consumption. The black middle-class is expected to increase by 50% every year, helped by the government's black economic-empowerment policy.

8. Turkey – Eighty percent of wholesale/retailing takes place in traditional markets
According to a report released by the tax council of Turkey, the size of the country's underground economy is 50% of Turkey's GNP, substantially higher than the average of 30% for developing countries. Its large underground economy has been pointed out as a significant obstacle for growth in capital and investment markets because it reduces tax collections and causes unfair competition within the country. If the size of the underground economy is taken into account, Turkey's per capita income is actually estimated to be over USD8,000, much higher than the current USD5,000 level.

Turkey experiences a great divide among regional areas in terms of development. The Marmara area, wherein Istanbul lies, and towns on the coast of the Aegean and Mediterranean Sea, are mainly industrialized. In contrast, up-country districts, except the Turkish capital of Ankara, are relatively underdeveloped.

For this reason, Turkish consumers exhibit wide disparities in income. The middle-class is relatively small. Rich consumers prefer imported brand name products but prices are an overwhelmingly important factor for the poor.

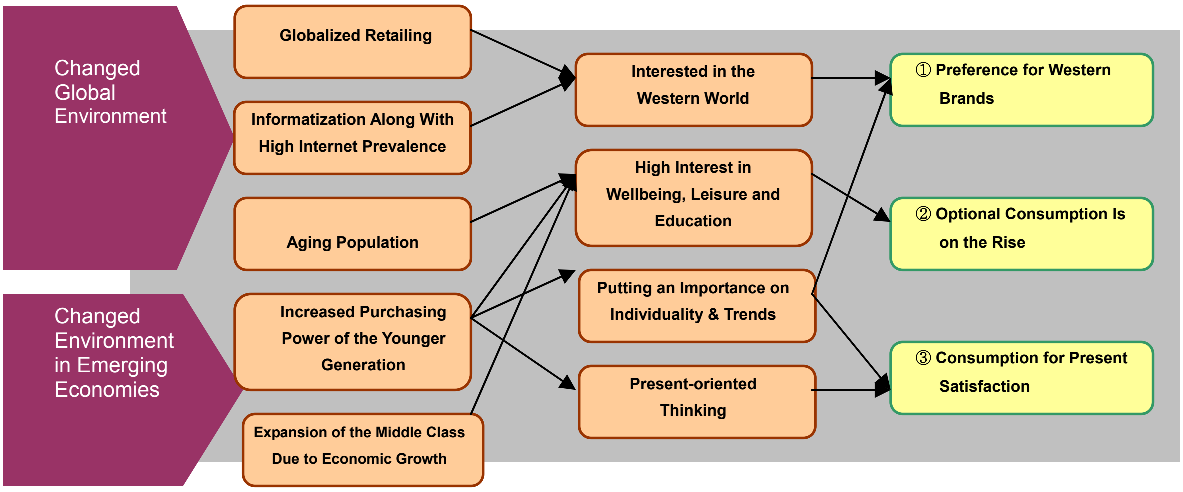
Price is considered a much more important factor than quality and brands, especially since 80% of products are sold through traditional markets. The size of the high-end product market is still small without the participation of a sizable middle-class.

III. Three Characteristics of the New Consumer Class in the Emerging Economies

As globalization, digitalization and population aging proceed around the world, consumption patterns are becoming similar across nations. In addition, as large multinational discount outlets such as Wal-Mart and Carrefour continue to advance into the global market, local consumers are more exposed to global brands. Besides, western companies and their brands have become more and more known by low-income emerging countries partly due to the spread of the Internet.

Though there are subtle differences among emerging countries, young people that live in big cities, earn high incomes and have good educational backgrounds are becoming a pivotal consumption group in emerging economies. The common characteristics shown in their consumption pattern are a preference for western brands, optional consumption and spending for satisfaction in the present.

Figure 4. Consumption Characteristics of New Consumer Group in Emerging Economies



1. Preference for western brands

Though purchasing power hasn't yet matured, the younger generation has a desire to flaunt and express their individuality by wearing western brands. As a result, global brands in the mid-price range have become popular. The middle-aged group in emerging economies desires to wear global brands for show while young people favor them to express individuality. For example, relatively affluent middle-aged Russians crave wearing only expensive Western brands, whereas younger Chinese adults born in the 1980s are finicky in selecting brands and are more loyal brand consumers.

However, countries with low purchasing power and an underdeveloped distribution system such as Indonesia, Vietnam and India still prefer low-and mid-priced brand products while the upper class prefers highly expensive luxury brands. As for Turkey, a country with a family-oriented culture and weak distribution infrastructure, preference for brand products is relatively weak compared to other emerging countries.

Table 2. Global Companies in Emerging Markets

Company	Industry	China	India	Russia	Brazil	Turkey	South Africa	Vietnam	Indonesia
Wal Mart	Retail	○			○				
Carrefour	Retail	○		○	○	○			○
IKEA	Furniture & Retail	○		○		○			
ZARA	Fashion	○		○	○	○			○
Levis	Fashion	○	○	○	○	○	○		○
Starbucks	Food & Beverage	○			○		○		

2. Optional consumption on the rise

Consumption patterns are shifting from spending for survival to spending to improve lifestyle, as income levels increase and Internet use proliferates. Optional consumption is rapidly increasing especially among the young urban middle-class. The ratio of optional consumption in the eight emerging economies increased by about 1.8 percentage points (pp) in 2005 compared to 1995 while the share of food, clothing and residential expenses fell about 5.6 pp for the same period (The Economist Intelligence Unit, 2007).

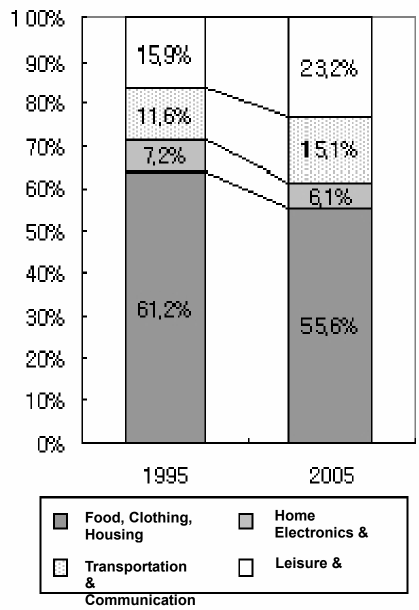
As the population ages, people are becoming increasingly interested in their well-being and leisure. The share of people over 64 relative to the total population in the eight emerging economies rose 2.4 pp, from 5.7% in 1995 to 7.1% in 2005.

Optional consumption is expected to increase continuously with economic development, the proliferation of the Internet, and the establishment of transportation systems and leisure facilities. The weight of optional consumption in spending on leisure, travel and education is expected to increase to 18.5% in 2010. Countries where optional consumption is expected to grow most are Brazil, by 24.7% in 2010, and China, by 23.3%.

Figure 5. Change in Consumption Patterns of Eight Emerging Economies

(Unit:US$ million)

	1995		2005	
	Amount	Ratio	Amount	Ratio
Food & Beverage	67,610	39.3%	102,159	32.8%
Clothing	6,616	7.9%	10,110	6.5%
Housing	17,800	14.0%	30,331	16.4%
Home Electronics & Furniture	7,194	7.2%	8,216	6.1%
Transportation & Communica-tion	2,122	4.1%	3,772	5.6%
Medical & Health Service	4,970	11.6%	7,325	15.1%
Leisure & Education	7,559	6.9%	11,007	7.7%
Travel & Eating out	6,377	3.9%	7,770	3.6%
Others	5,094	5.1%	3,302	6.4%
Total	125,341	100.0%	183,992	100.0%



3. Present-oriented consumer spending

Consumers in emerging markets, especially younger ones, possess what can be referred to as the "carpe diem" mentality. These people are rather impulsive in their purchases and are more interested in consumption rather than saving their income. In spite of limited purchasing power, Brazilin consumers purchase high-end products during special-event periods or through installment purchasing. According to a survey by the Brazilian government on household consumption expenditure, 69% of the low-educated class and 42% of the high-educated class recklessly spend without proper expenditure plans.

Just like the 'moon-light class', a group that spends all that it earns, increasing numbers of young people in China do not hesitate to spend their money on luxury brands. The, moon-light class is prevalent among white-collar office workers. These people, estimated to number around three million in China, buy luxury goods without hesitation and even go so far as to borrowing money or using credit to make such purchases.

The modernization of financial services further promotes such present-oriented consumption in emerging markets. In order to harness better financial services, financial authorities in each country have begun to upgrade their infrastructure. For example, the People's Bank of China has set a cornerstone in financial services by forging a credit-related database of about 570 million people this year that will allow for more consumers to spend on credit. Many financial powerhouses, such as Citigroup, have also begun their consumer businesses in emerging markets.

IV. Five Marketing Strategies Suggested for Korean Companies in Emerging Markets

Multinational companies around the world now view developing nations for more than just production facilities with cheap labor. In this sense, many of them have fiercely competed with one another to occupy a more favorable position in their markets.

Backed by ample experience in global-scale management and credible brand recognition, these multinational companies are differentially targeting the fast rise of consumers in emerging markets with diverse products and service lineups. With business models that are very much tailor-made to local needs, some local companies have flourished much like their global competitors.

In the case of Korea, its double-digit export growth for four consecutive years is attributed to the diversification of export destinations resulting from its assertive efforts in market penetration during the 1990s. For example, by foreseeing possibilities, Korean businesses continued to invest in Russia despite its financially-troubled years. Practicing patience was well rewarded as Korean companies now enjoy a firm standing in the Russian market.

Since competitors from leading nations will increase their efforts in emerging markets, Korean firms will need to set up more systematic strategies to win against competition in these areas. What kinds of strategies are needed? After an analysis of consumption characteristics, wholesale/retailing infrastructure and other miscellaneous factors, we conclude that the following are five strategies that Korean companies are advised to adopt to win consumers in emerging markets.

1. Deploy 'good enough' brands in emerging markets

First of all, companies should target consumers that are price-sensitive but exhibit brand-favoring by developing mid- to low-priced brands. Consumer purchases in emerging markets have surged recently but the consumer's purchasing abilities are still limited. It is wise, therefore, to target these consumers with a "good enough" brand.

A good example of this would be the Nokia 1100 cell phone. Also known as 'Penny', the GSM-based phone targeted non-affluent consumers in emerging markets. The 1100 sported a black and white display with only essential features, such as text messaging and alarms, to save production costs. Since its release in 2003, over 200 million units of the model were sold worldwide, making it the most sold electronic device in the world. Backed by the success of its lower-end products, Nokia has remained at the top of the mobile-phone market since 1998. With five of its top ten markets being emerging markets (China, India, Russia, Indonesia and Brazil), the 'good-enough' strategy has proven to be more than worthwhile.

A similar story can be seen in the automotive industry. After Renault Group acquired the Romanian automaker Dacia in 1999, it announced that it would manufacture inexpensive cars rather than luxury models. In 2004, Renault marketed Logan, priced at USD7,200, and sold approximately 450,000 units in 51 nations around the world. In addition, the French-based automaker invested USD100 million in a joint venture with India's M&M. The joint venture plans to produce 50,000 units annually from 2007. In response to the success of Logan, other global competitors have also joined the race to manufacture low-price models.

Marriott International, an operator of luxury hotel chains worldwide, established a cheaper brand known as Courtyard by Marriott to target customers in emerging nations. In 2006, this "good enough" brand opened four hotels in China, in addition to opening one in India whose service industry grew by 10.4% in 2006 as more and more middle-class people began to travel.

With low labor costs and a thorough understanding of the market, some local companies in emerging economies have emerged as serious competitors by offering mid- and low-end brands. Good examples are the South African retail chains of Ackermans and Truworths, running 200 and 250 chains respectively.

2. Step up with localized strategies

While making full use of their worldwide brand recognition, companies need to consider each nation's social, economical and cultural differences in their marketing product strategies. These differences will be crucial in the process of localizing both products and services. Preference of design and features varies from country to country. Furthermore, they should remember that emerging markets are not yet modernized.

For instance, to satisfy Chinese consumers who like to show off, TCL, a Chinese handset manufacturer, released a cell phone designed with imitation diamonds. Localized marketing in the retail, service and advertisement industry is crucial, as well as studying local markets by looking into successes enjoyed by local businesses. A prime example of how global giants are able to read into customer behavior is found in Brazil. In response to Brazilians' reluctance to shop by traveling large distances, Carrefour, a global retail outlet chain, experimented by reimbursing public transportation fares to customers.

In contrast, Marlboro, a tobacco brand of Philip Morris, overlooked the inherent culture of the Russian socialist system and paid a price when it failed by persisting on supporting a defiant identity in its advertisements. Turkey's Cola Turka, on the other hand, implemented a nationalistic and anti-US marketing strategy and succeeded by driving up its market share by 25% in just two weeks after its release in July 2003.

Natura, a Brazilian cosmetic brand, observed that more women should be considered its target consumers in an economically-active population, considering the fact that Brazil ranks fifth worldwide in the number of plastic surgeries performed. According to studies, Natura found that economically-active women consume 60% more in cosmetic items than non-active women. After taking into account the Brazilians' strong value in human relations, coupled with the country's weak wholesale/retailing infrastructure, Natura picked up what is called a 'home-visit' distribution strategy. As of 2005, Natura developed a firm command in the market with 483,000 salespersons mostly consisting of middle-class women that were previously homemakers.

3. Provide financial services to supplement insufficient purchasing power.

To support the consumer's weak purchasing abilities, Casas Bahia, the nation's largest electronics and furniture retail chain, introduced an installment sales strategy for its products. Founded in 1962, the company offers lower interest rates than that of the open market. About 70% of Casas Bahia's 23 million members participate in this program and 60% repurchase from its stores. Casas Bahia ensures that sale items do not exceed a certain portion of a buyer's income. The chain store goes further by recommending products for additional purchase in accordance with the buyer's payback record. With a gigantic storage warehouse and a sizable transportation fleet, the company maintains low prices by cutting logistics expenditures. Other retailers also house bank tellers in their own chain stores to provide financial support to customers.

Another example is MTS, a Russian wireless service provider that came up with a credit-payment service to allow people to continue using its services after running out of money in their pre-paid charge account.

4. Corporate social responsibility (CSR) to boost public relations

Companies with weak marketing skills and lagging brand recognition may find engaging public marketing with central and local governments very effective. Collaborations with the government and local entities may benefit companies by promoting their products.

Low-income earners lack experience in using products beyond those of basic necessities. To this end, companies should explain how their products can benefit such people (i.e., in terms of sanitation or disease prevention) instead of merely advertising their advantages and functions. It should also be noted that since these people are generally less educated, face-to-face public relations would be more effective.

A good method to boost a company profile is to engage in philanthropic pursuits thus accumulating the image of a 'good corporate citizen'. For instance, L'Oreal and Biotherm donated profits to Unicef China. Starbucks donates $1.5 million to foster teachers in an area in western China where the number of teachers is insufficient. The company also provides computers and books in the region.

Unilever, a global consumer product brand, established Hindustan Unilever Limited

(HLL) in India to manufacture hygiene and personal-care products. Instead of promoting only product functions, HLL stressed the importance of health and hygiene. As consumer perception of hygienic products changed, HLL was able to increase its market share. Furthermore, HLL continues to strive in upholding its 'socially responsible' image as it and its partners, ranging from civic groups to regional schools, continue to support educational campaigns.

5. Win young consumers with viable marketing through new-media

In order to target the younger generation, companies should look to bolster marketing through new media. Young consumers are potential buyers as well as the most influential consumption group in the market.

For example, the average age in Brazil, India, Vietnam and South Africa is below 30. Between 2001 and 2006, India's internet users increased 3.5 times in number. As of 2006, 45% of people used the internet for email, 33% used it for education or information acquisition, 10% for online chatting, 7% for entertainment purposes, and 4% for electronic commerce.

Competition is proving to be stiffer and stiffer surrounding the eight emerging markets. Nevertheless, in order for Korean firms to grow, they will find it inevitable to expand into these fast-growing markets. To this end, they should reinforce their efforts in studying consumption patterns in emerging markets while also pushing forward in marketing and product strategies.

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