

2015 International Brand Conference

Emerging Markets & Global Brands

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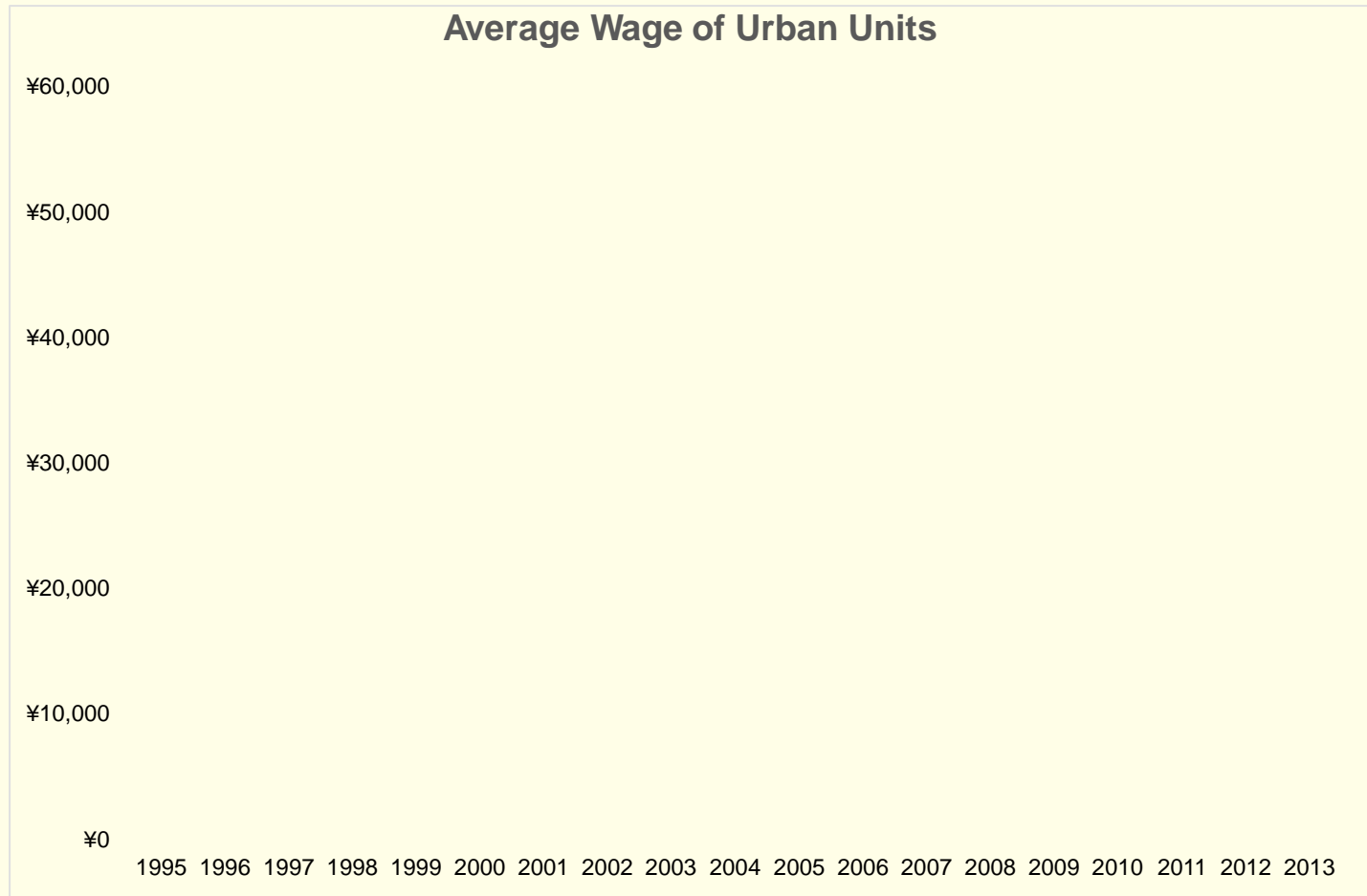
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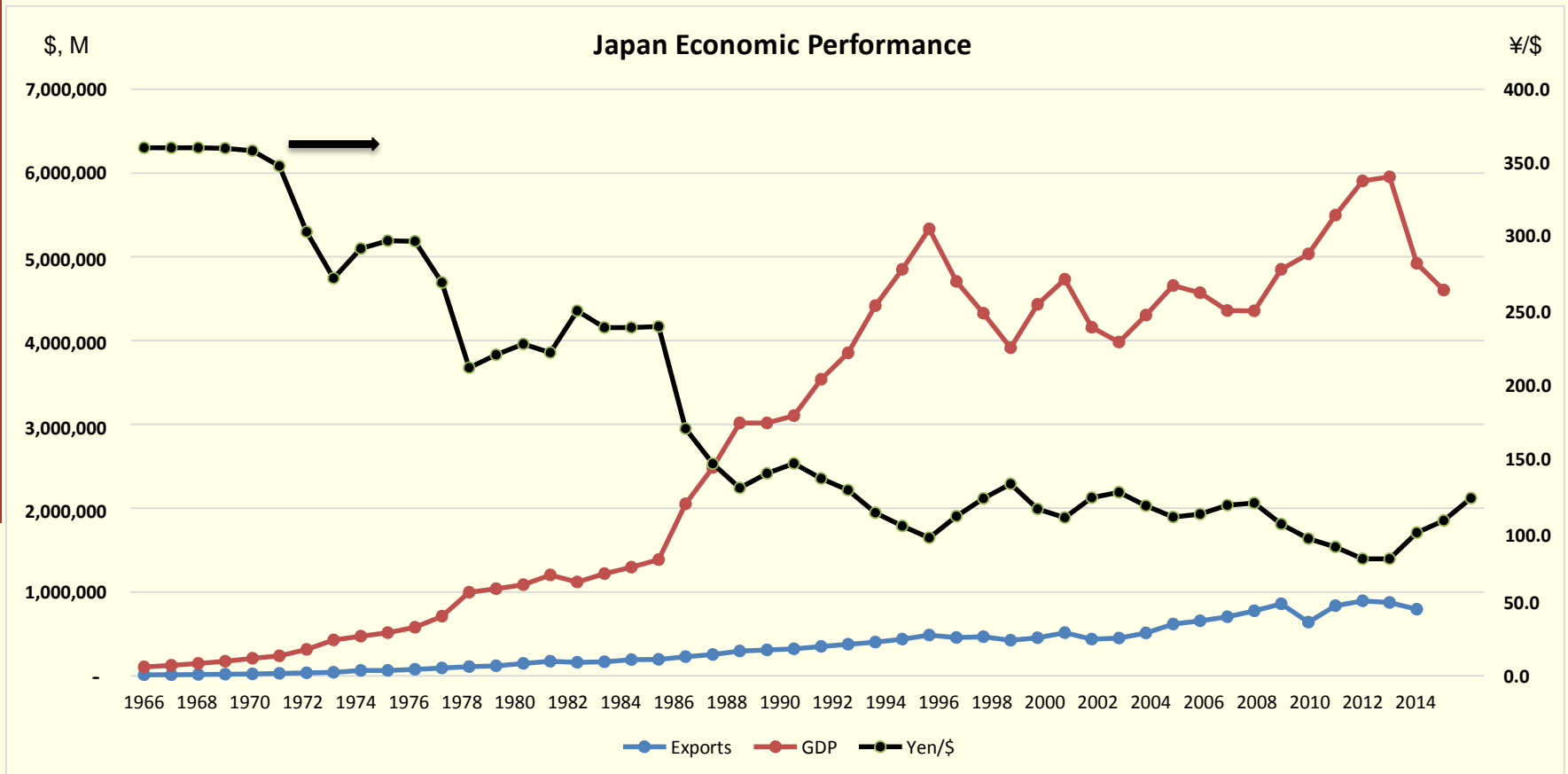
Forces Impacting China's Economy

- Slowing export, domestic economy and fixed investment growth rates
- Wage increases
 - Loss of factor cost advantage
 - Movement of some facilities & production offshore
- Producer price declines
- Push to increase domestic consumption
- Renminbi inclusion as reserve currency

China's Growing Wages Increase Middle Class but Hurt Factor Cost Advantage



1970s/80s Japan's Economy & Exports Expanded Despite Exchange Rate Inflation



Factors Supporting Japan's Performance in 1970s/80s

- Enlightened government policies
- Rapid productivity improvement
 - “Japanese Management”
 - Automation
- Growth of high-technology industries
- Shift from exports to domestic consumption
- Engagement in multinational enterprise
- **Building global brands**



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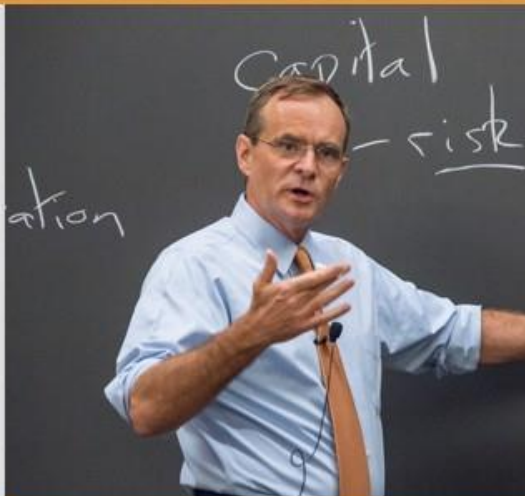
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In the Field.



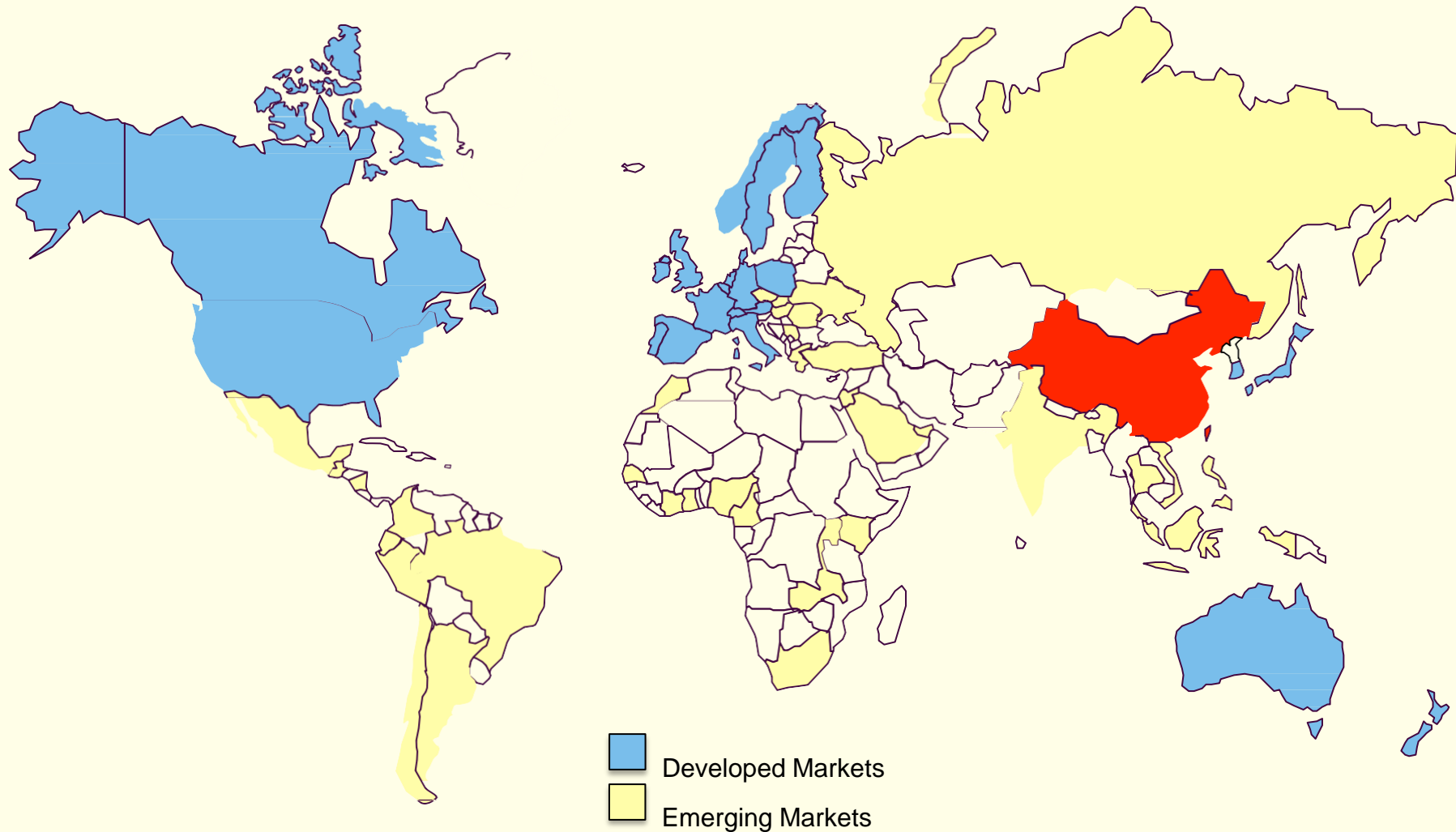
In the World.

- Founding principle of MIT – “Mens et Manus”
- Core element of MIT Sloan curriculum
- Integrates course frameworks with practical experience

MIT Sloan Programs That Cover Brand Issues in Developed & Emerging Markets

- Global Organizations Lab
- Enterprise Management Lab
- Global Entrepreneurship in Emerging Economies Lab
- China Lab
- India Lab

200 Annual Projects: 50% Emerging Markets (20+ Countries); 15% in China



Top 50 Most Valuable Global Brands



Brand Value Matters



Top 10 vs 41-50

Operating Margins: +8.1 percentage points

Return on Equity: +10.9 percentage points

Brand Value: +4.0 times



Observations of Global Brand Managers in Emerging Markets

- Intense interest in emerging markets (key to future growth and volume)
- Early focus on global consumer profiles in urban areas
- Brand & talent acquisitions to localize
- Movement towards middle class preferences (value vs hedonistic) of 2nd & 3rd tier localities
- “Resource-Based View” on value of the brand
 - Focus on human resources, brand management, performance management
 - Data mining of social networks



Observations of Local Enterprise in Emerging Markets

- Interest in business model transfer, not brands
- Successful companies pivot towards brand value, often for defensive reasons
 - Loss of marketing talent to MNCs
 - Localization by foreign competition
- Leverage Country of Origin brand affinity in foreign markets
- Increasing focus on human capital development
- New analytics efforts, particularly on Millennials
- Weakness in organization, processes and governance to compete in global markets



Some China Takeaways

- Offensive and defensive need to pursue brands
 - Higher value added, profits
 - Build customer loyalty
- China as a Brand
 - Value realization if brand name association with quality can be matched with reality (e.g. Haier)
- Invest in human capital to build brand value
- Go global to learn how to compete
- International brands require global organization
 - Need to adapt management practices, policies and governance