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Session 2: Consumers in Emerging Markets



Today's agenda

1. Consumers in Emerging Markets
2. Consumer Trends
3. Megatrends
4. Case Discussion
5. Concluding remarks





Consumers in emerging markets?



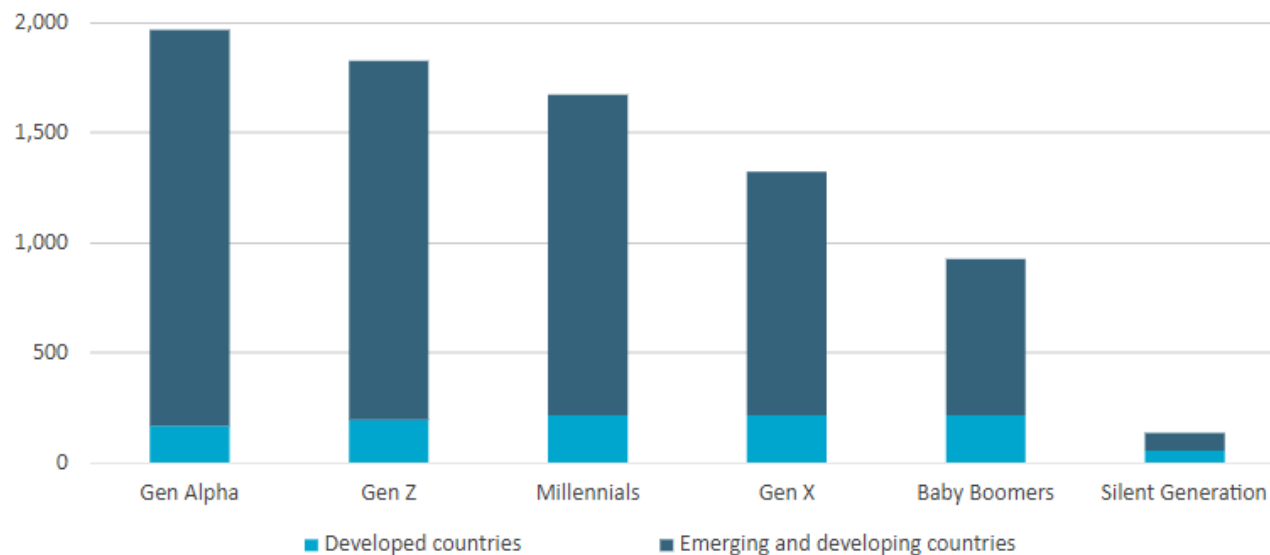
Nearly 90% of Millennials and Gen Z consumers on the planet will reside in emerging markets by 2027

Source: Euromonitor International



Population Segment by Generation Developed vs Emerging Countries 2027

Million persons



Source: Euromonitor International





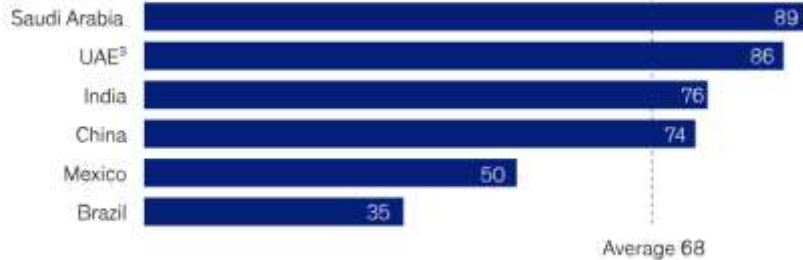
Younger consumers in emerging markets are nearly two times more optimistic, on average, than those in advanced economies.

Consumer confidence, by country, aged 18–24¹
% who believe the economy will rebound

Advanced economies



Emerging markets



What will consumers want?

¹Question: Do you think the economy will rebound in 2–3 months, and that the economy will grow at the same rate or faster?

²Includes France, Germany, Italy, Spain, and the UK.

³United Arab Emirates.

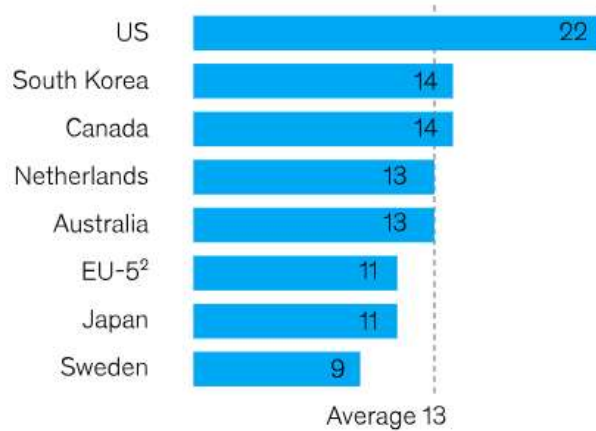
Source: McKinsey ConsumerWise Global Sentiment Data, Jan 2024, n = 4,005

Consumers in emerging markets are increasingly interested in spending on fitness and wellness.

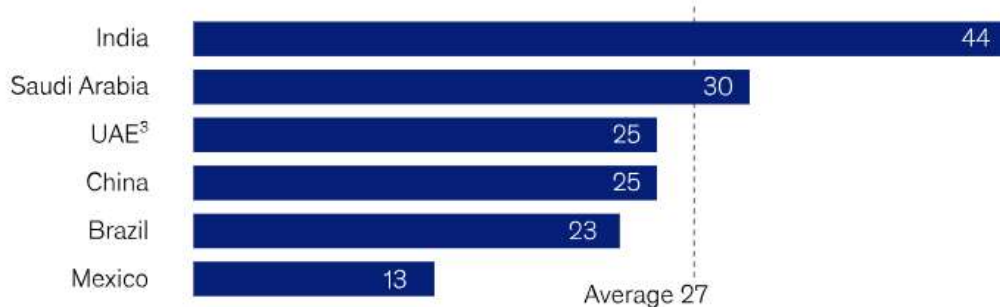


Intent to spend more on fitness and wellness,¹ % of respondents

Advanced economies



Emerging markets



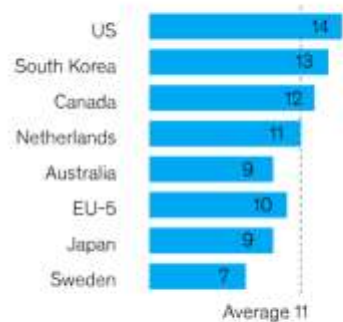
The worldwide wellness wave

Global wellness market to be worth more than \$1.8 trillion, growing 5 to 10 percent annually

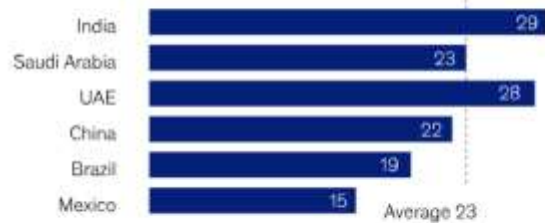


Intent to spend more on vitamins, supplements, and over-the-counter items,¹ % of respondents

Advanced economies



Emerging markets



¹Question: Over the next 3 months, do you expect to spend more, the same, or less on the following categories?

²Includes France, Germany, Italy, Spain, and the UK.

³United Arab Emirates.

Source: McKinsey ConsumerWise Global Sentiment Data, Q1 2024, n = 4,005





Adapted from Swarbrick, M. (2006).
A Wellness Approach. *Psychiatric
Rehabilitation Journal*, 29(4), 311-314.



Where will consumers shop?

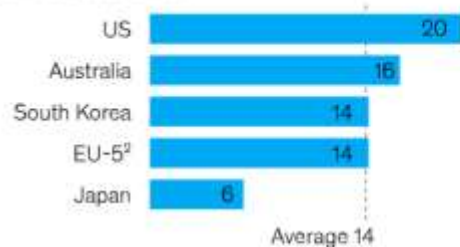
For several years, **China has led the world in the adoption of social commerce**, in which consumers browse and buy directly through social media and content creation platforms. Today, social-commerce markets in both China and India continue to mature, while those in other emerging-market countries—such as Brazil, Saudi Arabia, and the United Arab Emirates—are close behind



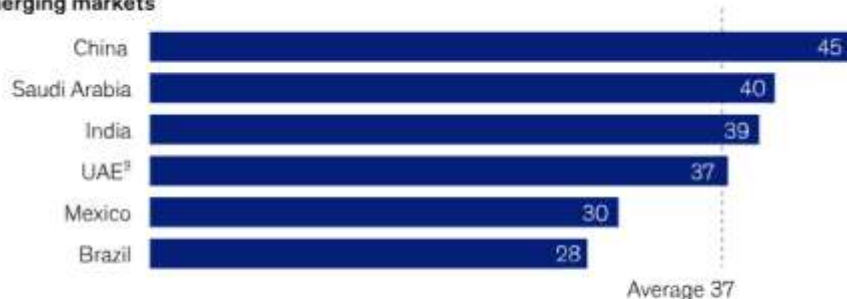
While China has led the shift toward social commerce, other emerging markets are increasingly using social media to shop.

Consumers using social media to purchase online,¹
% of respondents

Advanced economies



Emerging markets



Social commerce

¹Question: You mentioned you have purchased [category] online over the past 3 months. Where specifically have you purchased [category]? Please think about purchases made from any website or mobile app (including social media).

²Includes France, Germany, Italy, Spain, and the UK.

³United Arab Emirates.

Source: McKinsey ConsumerWise Global Sentiment Data, Q1 2024, n = 4,005



Four imperatives to win the consumer of the future

1. Build microtargeting capabilities:

Build rich understanding of consumer preferences. Generative AI can help consumer businesses reach these microsegments at scale by increasing creative output and automating marketing outreach (targeting high-potential consumers). Younger people in emerging markets or wealthy aging individuals—and provide personalized experiences that build brand love and loyalty and propel future purchases.

2. Invest in wellness:

Consumers across the globe want data- and science-backed health and wellness solutions. Best-in-class companies should evaluate opportunities to lean into these offerings and other wellness growth areas (such as women's health and healthy aging).

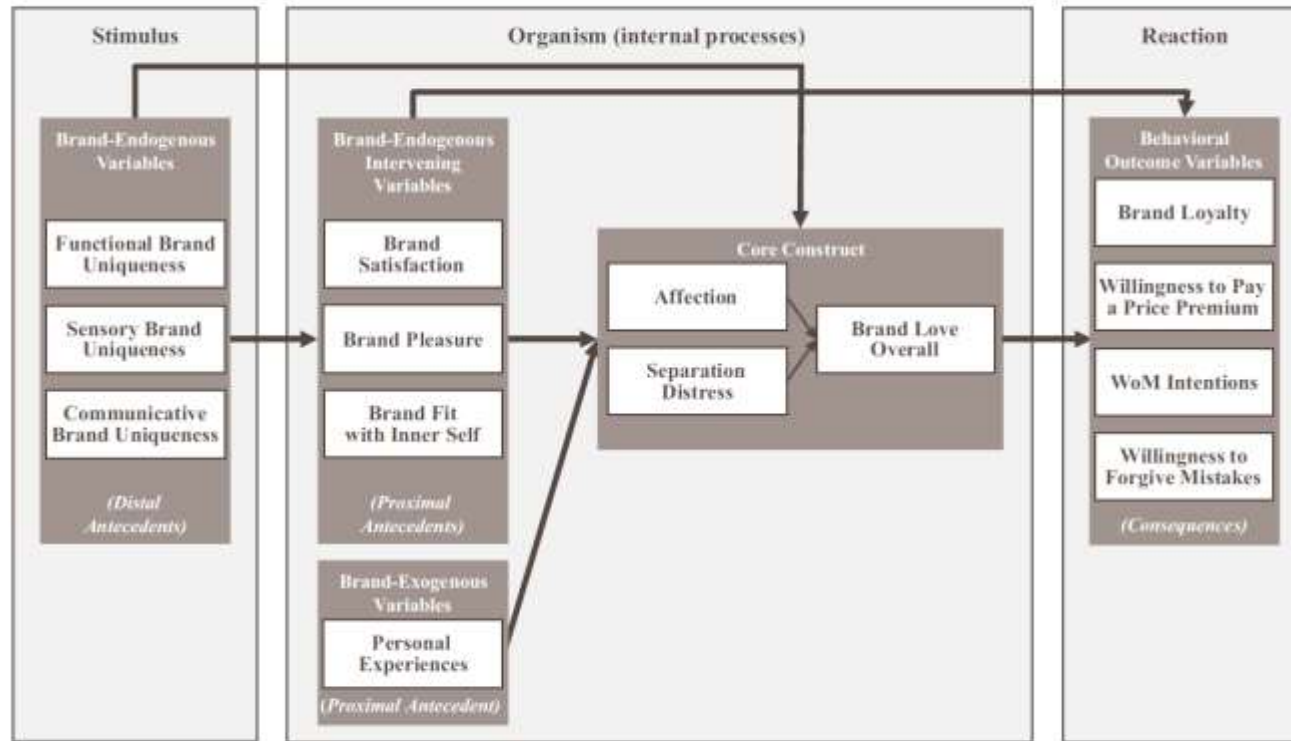


Fig. 1 Conceptual framework of brand love



Four imperatives to win the consumer of the future

3. Propel the social–digital experience:

*When retailers invest in this concept of community,
they connect with their customers on the deepest levels.*

Rakhi Williams

4. Offer premium products where they matter:

Offering premium products in relevant categories can help improve brand loyalty. Consumer brands should identify which categories are ripe for this, such as experiential travel—where splurge activity is common even across middle-income and aging consumers.

Innovation:

The New Normal

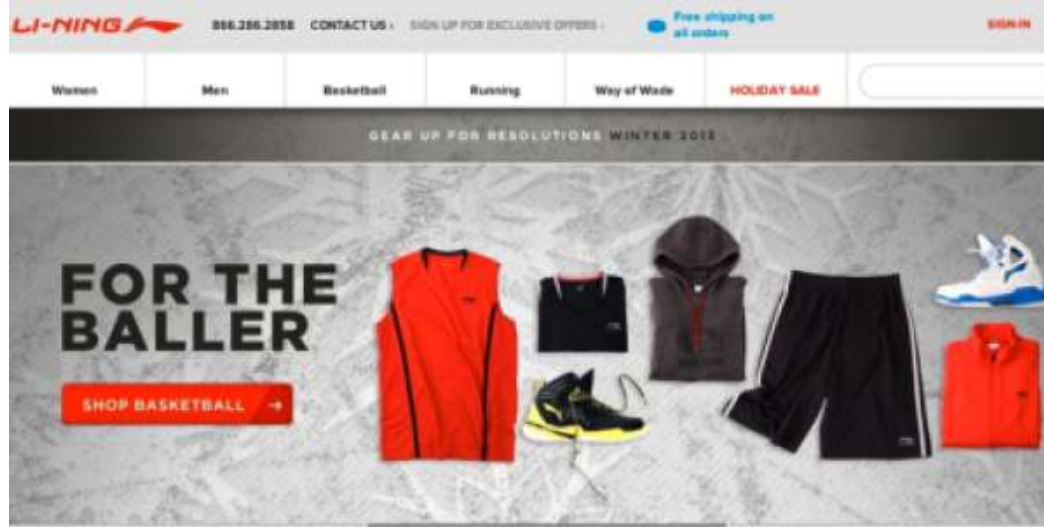


SATURNBIRD Timeline



1. Leveraged on big data from Tmall (encourage repurchase – packs of 12, 18, 24, 64, 80 cans)
2. Digital marketing strategy (proactive)
3. Targeted wider range of communication channels (social, platform, live commerce)
4. Promoted products to food enthusiast – early stage of marketing and generated e-WOM
5. Took advantage of its background as a 'digital native'.





Anything wrong with these advertisements?



The drivers behind China's transition to emotional marketing



BYD is an example of a Chinese brand that understands and utilizes emotion. “Green City Solutions”, “Green Dreams” and other emotive language lies at the heart of this brand’s strategy. This language tunes into the human emotion of ***caring***.



Sustainability as part of culture.....??????

Greening China is a long-term endeavor in progress

Long-term party goals require a green transformation



Fossil fuels account for approx. **70%** of China's energy system in 2019.

More than **50,000** public interest lawsuits on environmental issues have been filed per year since 2018.

In 2019, China was the 11th most air polluted country worldwide. **25%** of its surface water remains heavily polluted, and a 2016 census revealed that **16%** of its soil was contaminated.

Green finance

144 billion CNY of green bonds issued in the first half of 2019 (up **62%** year on year)

Green standards

Eg. the national pollution standard on the storage and disposal of industrial solid waste

Green technologies

Chinese patent filings in green energy tech increased by more than **42,000** between 2005 and 2015

Green factories

Green products

"Green mindset"

Main strategic concerns & party-state goals



Regime survival



Strategic resource & supply security



Economic & tech strength

China's position on climate change



- Beijing acknowledges that climate change “poses a huge challenge to the survival and development of mankind” and that China is one of those countries most vulnerable to its adverse effects.
- In 2016, China signed the Paris Agreement and submitted its Nationally Determined Contributions (NDCs) to keep global warming at “well below 2°C”.
- China's NDCs for 2030:
 - Increase non-fossil fuel share to at >25 percent
 - Peak CO₂ emissions
 - Lower carbon intensity per unit of gross domestic product (GDP) to >65 percent
 - Increase forest stock by 4.5 billion m³

China's green tech advances affect European expertise

Examples of Chinese and European players in selected fields of green technology

Industry	R&D	Renewable energy		Green manufacturing		E-mobility
Chinese player (focus)	Chongqing Institute for Green and Intelligent Technology - CIGIT	Trina Solar (PV manufacturer)	Envision Energy (smart wind turbine provider)	Silian Optoelectronics Technology (producer of smart and energy-saving LED streetlights)	Jiangsu Changlong Chemicals (manufacturer of agricultural chemicals)	CATL (li-ion battery supplier)
Successes and setbacks	Development of a low-cost air purification membrane (99.99% retention accuracy for 0.33 µm ultrafine particles), e.g. for protective masks Incubated Yuncong (aka CloudWalk) Technology, a member of China's "AI National Team"	Global efficiency record for its n-type monocrystalline TOPCon solar cell technology achieved in 2019	Only two patents out of 38 patent applications at the European Patent Office (EPO) were granted between 1980 and 2014	Provided entire Dazu district in Chongqing with "green" lights (incl. a smart control system), resulting in annual CO2 reductions of more than 13,000 tons	Was fined more than 12 million USD for discharging waste into waterways in 2014; charged on numerous occasions for similar violations, most recently in 2016	Innovative product platform presented in 2019, using cell-to-pack (CTP) technology that includes more than 70 core patents and reduces e.g. mass energy density by up to 15% and number of parts for battery packs by 40%
Cooperation with European players	China-EU Institute for Clean and Renewable Energy (ICARE)	Beijing Green Hydrogen Technology Development (CN) and Siemens Energy (DE)		Chongqing Techxanadu Industrial (CN), Wuhan Creworld Technology (CN), and Bjørn Thorsen A/S (DK)		SVOLT (CN), State Ministry of Saarland for Economic Affairs, Labour, Energy and Transport (DE), and Strukturholding Saar (DE)
	First major cooperation program between the Chinese government and the European Commission in engineering education, launched in 2012	Jointly provide hydrogen production systems, start in May 2021		Joint venture BT Solutions Zhuhai founded in 2019, providing original equipment manufacturers (OEMs) with solutions enhancing their plastic recycling performance		Jointly establish SVOLT's European production site (two battery cell, module and pack factories) in Saarland by the end of 2023
European competitors (focus)	Institute of Environmental Protection (PL); Helmholtz Institute Erlangen-Nürnberg for Renewable Energy (DE); Green Tech Cluster Styria (AT)	Hanover Solar (DE, solar panel manufacturer); Viking Wind (DK, wind turbine manufacturer); H2Cloud Energy (ES, renewable energy storage systems provider)		Stora Enso (FI, provider of renewable material and product solutions); Weima (DE, producer of machines for waste reduction); ECOMESURE (FR, provider of environmental monitoring solutions)		Volvo (SE, automotive system provider); Varta AG (DE, battery manufacturer); Endurance (IT, auto component manufacturer)

The Rise of the Asian Middle Class

Share of the global middle class by region (in percent)



Middle class = household with incomes between \$11-\$110 per person/day (PPP) in 2011

Source: Brookings Institution



statista

Megatrend: The rise of middle class



Middle-Class Consumers in Emerging Markets: Conceptualization, Propositions, and Implications for International Marketers

Cavusgil, S. T., Deligonul, S., Kardes, I., & Cavusgil, E. (2018). Middle-class consumers in emerging markets: Conceptualization, propositions, and implications for international marketers. *Journal of International Marketing*, 26(3), 94-108.

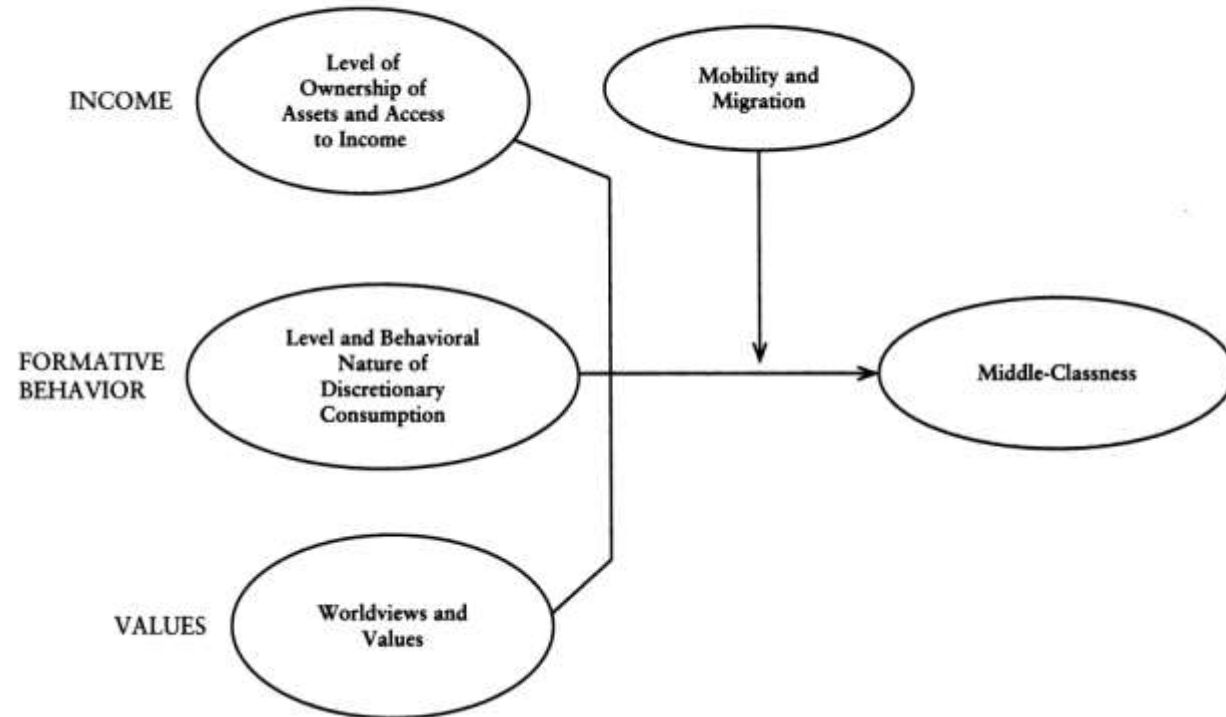


International marketing scholars and *practitioners* should be better informed about *megatrend*. *What does the "middle class " really mean?* What are the theoretical underpinnings for the middle phenomenon? *What are the implications for international marketing?* To address these pressing questions , the author explore the middle-class phenomenon in emerging economy.

Differences between *emerging and advanced economy consumers*. For example, Strizhakova and Coulter (2015) *contrast local and global brands*; Morgeson, Sharma, and Huit (2015) examine *customer satisfaction and perceived value*; and Zhang, Song, and Qu (2011) focus on *the competition between multinational and local companies in the technology product sector*. Sun et al. (2017) explore the impact of *consumers' prior knowledge on the performance of foreign versus domestic brands*.

The emergence of the new middle class is essentially a phenomenon characterized by the availability of *disposable income to consumers*.

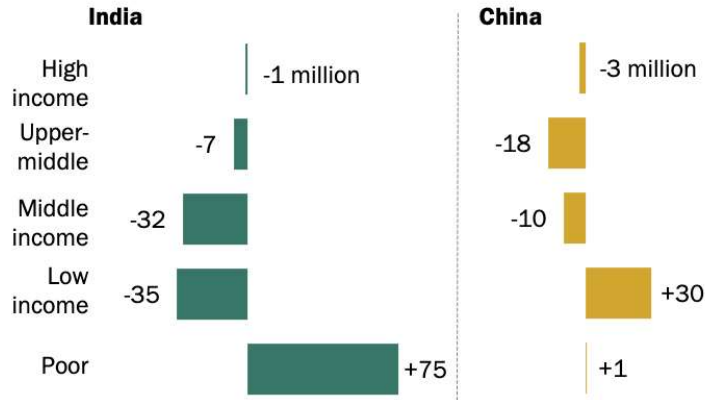
Figure 1. Proposed Conceptualization





India is estimated to have seen a greater decrease in the middle class and a much sharper rise in poverty than China in the COVID-19 downturn

Estimated change in the number of people in each income tier due to the global recession in 2020, in millions



Notes: The poor live on \$2 or less daily, low income on \$2.01-\$10, middle income on \$10.01-\$20, upper-middle income on \$20.01-\$50, and high income on more than \$50; figures expressed in 2011 purchasing power parities in 2011 prices. The estimates show the difference in the number of people in an income tier based on pre-pandemic projections and post-pandemic estimates. The term “post-pandemic” refers to the period since the onset of the pandemic in January 2020. It is assumed there is no change in the income distribution from the benchmark year for the projection to 2020.

Source: Pew Research Center analysis of the World Bank’s PovcalNet database.

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In China, there are more people in the global middle- and upper-middle income tiers than in poverty and the low-income tier. Although about 10 million people in China are estimated to have fallen out of the middle class in the downturn.

Importantly, China accounted for [37% of the global middle-income population](#) heading into 2020. Because economic growth in China remained positive, even if slower than anticipated, the limited impact on its middle class helped to ease the strain on the global middle class.



Proposition 1:

The upward income mobility within the middle class is stronger than the downward drift, resulting in an overall increase in the wealth effect.

Proposition:

Proposition 2:

The new middle-class consumers, though sharing similar discretionary consumption patterns, exhibit greater diversity in values and lifestyles.

Proposition 3:

Traditionally more uniform, in time, the middle class displays greater heterogeneity as consumers migrate upward and downward.

Proposition 4:

Emerging market middle-class consumers increase their aspirational expenditures faster than the household budget expansion



Proposition 5:

Over time, middle-class consumers exhibit an increased diversity of values and lifestyle disparities; that is, the similarity of these aspects between the segments diminishes.

Proposition 6:

Middle-class consumers exhibit increased polarization in worldviews.

Proposition 7:

Middle-class consumers grow more tolerant of divergence and diversity in their social and political space



Case Discussion