



Zeitschrift für Marktforschung und Marketing 2/2011

Taking a Stake in the BRIC's Success

How to Conduct B2B Market Research in the BRIC Countries

Weinheim, 12.09.2011

As the BRIC countries are becoming part of the world's largest economies, an in-depth understanding of their market dynamics, technological standards and cultural, political and religious parameters is crucial. This can be obtained through professional B2B market research know-how. As business relationships in all BRIC countries differ significantly from those in the US and Europe, research methodologies need to be adapted to new standards. This is essential for obtaining valuable and valid data. Also for the successors of the BRIC group, a specially designed market research approach will be necessary catering to predominantly Islamic markets.

As BRIC countries (Brazil, Russia, India and China) have enjoyed excellent returns over the last ten years, it has become a basis for discussion for market specialists, economists and practitioners in which of the four countries it is best for European and US companies to invest. Not an easy decision as the structure of the economies is very different. They also differ from one another in culture, political background, language and religion. China has already emerged as economic powerhouse and factory of the world. Brazil, with its large manufacturing and service capacity, has grown into the largest exporter in Latin America. Russia is the world's largest exporter of oil and natural gas and on its way again to economic prosperity. India has become a

major exporter of information technology and software specialists. However, they have one common denominator: their economic growth has greatly exceeded the growth of many of the world's leading industrialized nations. In all four cases a comprehensive market intelligence base is a crucial business pre-requisite. Where companies often do not have sufficient resources and experience in assessing market opportunities and threats, this data can be professionally collected and analyzed by qualified B2B market intelligence providers prior to any strategic decision. Reliable information is vital to ensure that time is not wasted or a fatal decision made based on misinformation or incorrect conclusions drawn from market intelligence collected.

Brazil

Brazil experienced an extreme growth of 7.5 percent in 2010, which was fueled by rising commodity prices for raw materials and a well handled economic crisis, nearly closing the gap with India (9.0 percent) and China (10.3 percent). In the first quarter of 2011, however, Brazil's GDP slowed to a 4.2 percent growth, still overtaking Russia by 0.1 percent. This might have been caused by the continuing trend to replace Brazilian products with foreign imports on Brazil's local market and growing competition from China, primarily in third markets. Upcoming mega events like the World Soccer Cup 2014 and the Summer Olympics 2016 are expected to result in further impulses for economic growth again.

Brazil's business culture is to a large extent based on personal relationships. Foreign companies must be willing to establish a strong local presence in Brazil and invest time to develop relationships. Good references are a must in Brazil as Brazilians prefer to do business with companies that have already done business with their business associates. German companies are well respected in Brazil which can be used as a first entrée. In Brazil, like in the US and the UK, business people address each other by their first names – no matter at which level. It is polite to address people with managerial functions with the title 'Doutor' plus their first name. English is not yet widely used in the Brazilian business environment with the exception of upper level management and internationally oriented businesses.

Desk research for obtaining market intelligence is still difficult to undertake as reliable and consistent as well as up to date secondary information is hard to obtain. International databases often exclude Brazil; others contain incomplete or outdated information. However, professional researchers are able to differentiate between good and bad information and will use an array of different sources to cross-check biased data, especially statistics. Other than pure desk research, telephonebased research is often considered more reliable and works well in Brazil. One reason for it is that cold-calling is widely used as a marketing tool in Brazil. As in China and other Asian countries, it is not common to get to the point too quickly. A polite small talk at the beginning of a conversation is the way to go. Long explanations with regards to the project purpose are often required when calling a Brazilian company. Also web-surveys are an option in those parts of the country where internet penetration is higher than the country's average of 38 percent.

Russia

The second in the BRIC group is Russia. Russia has the largest natural gas reserves in the world, the second largest coal reserves and the eighth largest oil reserves. Russia's economic stability is greatly dependent on oil exports and thus global oil prices. 80 percent of Russia's exports consist of oil, natural gas, metals, timber and defence equipment. With an economic growth of only 4 percent in 2010, Russia has the slowest growth rate among the BRIC countries. The Russian business environment is less open than is the case in Western markets which makes certain types of information difficult to obtain. Due to its communist background, shared responsibility rather than individualism still is considered a core value in Russia and makes actual decision makers harder to identify.

In Russia, similar to China, market research was virtually non-existent less than two decades ago. The majority of market intelligence projects conducted in Russia are still concerning market entry and other market assessment studies. Yet, all other major types of B2B research including brand evaluations, segmentation studies and product development research are becoming more and more common. Other than a couple of years ago, market research in Russia has become increasingly focused on details, requiring

more high-level and specialist staff to conduct surveys. The most effective interviewing method for market research in Russia is face-to-face interviews as personal contacts are very important in the Russian business world. Telephone interviewing is far less common than in Europe and the US but also becoming a valuable source of primary information. Russian managers prefer to speak Russian and deal with Russians, which makes a Russian-speaking consultant indispensable. Also desk research is an invaluable source of data in Russia. Many government agencies and trade associations offer good quality macroeconomic and industry-specific information. Market research companies are again advised to use native speakers as the majority of information is available in Russian only. Still, data discrepancies exist across different sources. Online data collection techniques are in their infancy in Russia due to limited bandwidth and limited internet penetration (41 percent).

India

India's development has been fast, nonetheless often bumpy. Currently, India's GDP is growing by around 8 percent, down from 9 percent in 2010. Despite India's economic success, 25 percent of India's adults are still illiterate and 800 million people live on less than 2 US dollars a day. In contrast, India comes third in the world in its number of billionaires (69). IT and automotive are the fastest growing industry sectors.

Hinduism and the traditional caste system, though officially abolished, still influence the way of doing business in India. It is the basis for India's group defined orientation and greater acceptance of hierarchical structures. Indians in general have a great sense of community which combined with the hierarchical setting makes it harder to identify the actual decision maker.

A major problem for India's future development is the lack of infrastructure between major metropolitan areas which also makes crosscountry face-to-face interviewing very time consuming. The development of the internet as a tool for market research purposes has not significantly impacted India. Internet penetration is with below 7 percent still extremely low, even compared to the other BRIC countries. According to a report from The Telecom Regulatory

Authority of India, in April 2011 India only had 12 million broadband connections but about 80 million internet users. Market research for India is mainly focused on initial market analysis and the formulation of entry strategies assisting foreign companies to set up Indian operations. However, the use of market research as a tool to determining the feasibility of product innovations and applications is also increasing. Many Indian businesses still do not see the need to spend money on market research. Data collected by trade associations and government agencies is often considered sufficient.

One of the biggest problems of market research in India is still the lack of accurate and reliable data. This can be overcome by very experienced market researchers able to crosscheck different sources and able to apply appropriate research tools and methodologies.

E-mail-surveys are popular in India wherever sufficient infrastructure is in place. As English is considered the official business language, conducting primary market research in English is possible. At the same time, regionalizing market research regarding language skills is definitely an advantage, as there are 14 first languages and additional dialects spoken in India. As opposed to Brazil, the use of the first name for address is considered impolite and should be avoided.

The Indian market is a seller's market; hence, it is still generally difficult to conduct market research without the necessary professional approach and experience.

China

China still is the fastest-growing economy within BRIC with a current growth rate of over 9 percent. In 2010, China was with 14.3 million the world's largest car manufacturer in addition to already being the world's largest mobile phone market with the largest number of internet users in the world. China has a fast moving regulatory and competitive business environment still based on a five year planning cycle. One of the major challenges of doing business in China is the sheer size of the market and its often hugely fragmented segments and ownership structures. This also makes market research in China a challenging undertaking. Secondary data is obtained from published sources, the internet, and public and private databases in both local and

foreign languages (primarily English). Especially the internet has become increasingly sophisticated in China. As in other BRIC countries, statistical data in China still has a bad reputation with regards to its reliability. Yet, having a multitude of different sources available in China now, experienced market researchers know how to crosscheck and verify data through different types of sources.

The most reliable and useful approach to generate data in China is well laid-out field research. Obtaining first hand information has in recent years become easier as Chinese companies have become increasingly aware of the benefits of market research. Albeit, data from primary research in China can easily be distorted by cultural differences and thus result in a misinterpretation of data. Chinese respondents are extremely reliable as far as hard facts are concerned. In contrast, it requires very skilled market researchers if individual perceptions and opinions from a Chinese respondent are vital for a research project. It is still necessary to conduct surveys in Mandarin when groups other than the higher management in multinational companies are targeted. Telephone interviewing has become a very cost effective way to conduct research in China. Experienced researchers are able to successfully conduct telephone-based surveys, contradicting former assumptions that Chinese respondents are unwilling to provide information over the telephone. As the internet penetration rate in China is continuing to rise (currently 32 percent), online surveys have also become a viable way of data collection, especially for large-scale projects. Nevertheless, face-to-face interviewing will remain an important approach for market researchers, as personal relationships are still firmly entrenched in the Chinese culture. As Chinese have a deep respect for hierarchy, it is always best to expect more people from different hierarchical levels to attend a face-to-face interview.

Broaden the Perspective

With many years of experience in conducting successful B2B market research in BRIC countries, researchers and consultants have long started focusing on other future markets which might become important targets for their customers in the future. There are a number of future emerging markets with attractive long-term economic fundamentals.

In order to identify the successors of the BRIC group, different concepts have emerged in recent years. In 2006, Goldman Sachs predicted the next economic success will come from N11 (Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, South Korea, Turkey, and Vietnam), while in 2010 CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey, and South Africa) were identified by the HSBC. Most recently, MIST (Mexico, Indonesia, South Korea, and Turkey) or MINT (Mexico, Indonesia, Nigeria, and Turkey) countries became synonyms for the next tier of large emerging economies. When talking about future emerging markets the Islamic world will play an important role. One of those countries is Indonesia, the only country recognized in most of the above mentioned concepts. Indonesia has a diverse and dynamic economy with a large young and growing population and is politically relatively stable. With 288 million, Indonesia has a larger population than Brazil or Russia and is the world's most populous Islamic country. Indonesia is with a GDP of 540 billion US dollars in 2009 already Southeast Asia's largest economy and aims at becoming a top 10 global economy by 2025. A major drawback is Indonesia's topography: it consists of thousands of islands and is located on the edges of three tectonic plates, which makes it very susceptible to earthquakes. Apart from Indonesia, also the MENA (Middle East and North Africa) region has, once political changes in the region are cemented, the potential to become a future emerging market. It has an overall population projected to increase to 430 million by 2020. Combined, this will create a large Muslim business community whose belief in Islam serves as a common bond. By 2030, the global Muslim population is expected to rise to 2.2 billion, an increase of 35 percent. For Western business transactions this means dealing with a whole different cultural mind set and different ways of doing business. Knowing how to comply with the Islamic Shariah law and to understand the concept of, for example, Halal will then reach a different stage of importance.

Doing market research in those countries thus means to adjust the interpersonal approach, phraseology, sampling methodologies, and channels to the different cultural backgrounds and religion-based values. This, in addition to finding ways for US and European companies to compete

against the strong competition in those countries from regional players, is a very research-intensive and time-consuming process. As a consequence, it is recommended to leave it to specialists, which have in-depth regional research experience and successful track records of regionally adapted market research approaches and methodologies.

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