



**HYPE TALK
SMALL IS BIG**

**IMPACT OF
CULTURE & LOCAL
COMPETITION ON
BIG BRANDS**

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Global digitalization has changed our world forever. We have a population that is ever connected, ever conversing and ever involved in the virtual world. The way they live, interact, entertain themselves and leave opinions is all impacted by this new normal. It also impacts the way these consumers become aware, interact, consider and purchase brands today. Trust is an important element of this equation.

For the past several years, the rise of local and ethnic brands is a significant phenomenon. Brands like Wardah (beauty) in Indonesia, Sangkaya (Coconut ice cream) in Malaysia, Patanjali (multi-category) in India and BullDog (Natural Skincare for Men) & Pret a Manger (Café/Food) in UK are all stealing share from large corporates every day. Large companies realised that scale and financial power is important but does not any more give competitive advantage needed for incremental growth.



According to BCG, \$22bn in industry sales have transferred from larger to smaller companies in North America between 2011 to 2016. Similarly, Bain&Co highlights that 34 of the 50 largest companies in the world are either suffering from slower sales or profit growth or both.

According to the CEO of Reckitt Benckiser who has recently split its business into two independent units, mass marketing approach will not work anymore: "Large companies are finding it difficult to outperform the markets. And the reason is that large companies are facing smaller, nimbler, niche competition...a one size fits all is an outdated approach."

It's important to understand these trends for deeper engagement with consumers. SpectrumR has outlined the following drivers as key to this new Normal:

1 Eroding Trust:

For some time now, big brands have been suffering from consumer trust deficit. Challenges faced by big names like Audi with CO2 emissions reporting, Ikea with product quality issues, GSK with bribery scandal in China and Samsung in South Korea, perpetuation of fake news through Facebook and the revelation that Apple slowed down older models to budge people to buy newer ones, are all examples of how consumers became wary of large corporates having their interest at heart. According to the 2018 Edelman Trust Barometer, the industry standard for measuring consumer trust, only 48 percent of the general population in the United States trusts businesses, falling from 58 percent last year and with a general trend moving downward over the past decade.

The rise of social media has actually exposed several big names as any lack of performance or broken promise is highlighted and shared instantly.



There is a live environment of performance review by consumers, with any shortcomings spreading rapidly. Several monitoring platforms (Product review sites, eCommerce sites, Social chatter, Blogs etc), then also get engulfed with reporting of the bad experiences and before you know, the brand has suffered a significant hit on reputation.

On the flip side, smaller companies are seen to care genuinely about their customers as they have more to lose with attrition. They are seen as more authentic due to the local roots and offering better perceived value due to lower prices. Access to technology and expertise at much cheaper costs have empowered smaller companies to plug the gap of quality, which larger corporates always promoted on the back of brand power (enabling them to charge premium prices).

The other element is Advertising; Large corporates have not always been authentic or honest about what value the product actually provides. Charging a premium and not delivering on the promise does not help in building trust. Less focus was given on product quality standards to save on costs and increase the bottom line. This often came at the expense of consumer experience who decide to buy competition instead. By the time companies realise that saving on product quality is not a sustainable strategy, the damage has been done.

2 Culture & Authenticity:

Increasingly, culture is becoming an important part of how consumers live and work today. There is a movement to connect back with the roots and higher realization of the value of rituals. Smaller brands are able to realise this trend much better and address unmet needs with products that reflect consumer values e.g., Wardah as a Halal Skin Care brand which proved to be a game changer, *being the most popular brand among women.

The Halal Cosmetics market is likely to surpass \$54.1 million by 2022 registering a CAGR of 15.2% during the forecast period as per ReportLinker.

Similarly, Asian brands like Indomie (with more than 70% of market share in instant noodles in Indonesia) can better leverage consumer tastes and such brands are growing twice the rate of MNCs. With local management and marketing expertise, these brands have a better handle on constantly evolving consumer needs.

A key element of this is advertising; in 2002, Abercrombie & Fitch's T-shirts with Asian stereotypes led to consumer protests in the US, especially among the Asian-American community. T-shirt slogans such as "Two Wong's can make it White" or "Get your Buddha on the Floor" were widely condemned and led to petitions for consumer boycott. Similarly, insensitivity to local culture and acceptable norms has led many brands to alienate its appeal.



Smaller, local brands are also playing the patriotic card. Many brands are highlighting the local roots as well as understanding the local traditions better. Their advertising and messaging reflect that and there is a no central copy that is rolled out/adapted globally. Immigration and cross-border movement also fuelled nostalgia where staying connected to the roots enhanced the demand for local, authentic products that consumers grew up with in their home countries.

However, this nationalist fervour can also be attributed to the rise of Nationalist Politics and strong negative messages. Brexit is a big example of a progressive economy rising to the heights of uncertainty. Concerns about immigration (largely fuelled by right wing politicians in various countries) have also made people think about benefits vs drawbacks.

3 Faster go to Market:

Smaller companies are also agile and nimble when bringing new products to the market. The lack of matrix organizations and ability to quickly pass through innovation funnel enable timely response to evolving trends. This is a trait that needs to be emulated by giant corporations if they want to cease the charge of local companies, chipping away on their established and hard-earned market share. Thus, the concept of “Globally Local” come into play where companies who have been able to adapt to local culture, traditions, rituals and norms at pace are more successful (e.g., McDonalds Big Chicken Cutlet Rice Bowl in China and Veg Burgers in India).

The above indicates that big companies need to fundamentally change the way they operate. The information silos, operational barriers, long innovation funnels and bureaucratic decision cycles must go! Holistic view of consumer experience, needs and expectations will help drive the growth agenda.

In Summary:

Big Brands need deeper consumer understanding to make better & smarter decisions. This requires challenging the status quo of insight generation and experimenting with new approaches and TECH.

Rise of Psychology, Neuroscience, Behavioural Economics and Passive measurements (Facial Coding, Eye Tracking etc.) are a growing breed of sophisticated analytical frameworks in Market Research, promising much accurate and sharper insights.

On the other hand, there is also enough evidence (both academically and through surveys) that traditional norms of measuring consumer behaviour stand challenged e.g., many organizations are moving away from measuring equity as it does not always link with actual buying behaviour. NPS as a measure of Customer Loyalty has been dropped as a standalone measure by several players since mono-metric KPIs are less accurate than composite indices.

The consumers interaction with brands has evolved, and it is high time that brands evolve their understanding of the consumer Is it not time then to move on and do something for the first time if it can make exponential impact on business growth?

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