International Marketing
Research Based Case-study

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Introduction

This case-study is an analysis of the worlds emerging markets, looking at the BRICS group, but more specifically at China and India.

I will briefly identify the BRICS nations and investigate the middle-class population of China and India, then analyse and evaluate New Zealand's (NZ) trade relationship with both China and India.

I will then go on to evaluate NZ as a 'Country of Origin Effect and Image' on the Chinese export market as well as discussing the 'Clean Green' and 100% Pure NZ destination brand as perceived in China.

Finally I will discuss a mode of entry into the Indian market using Cookie Man as a case example.

1.0 The Next Generation Mega Markets

1.1 BRICS Emerging Markets

As much of the developed world saturates it's traditional markets, more companies are seeking to expand business into the emerging markets of developing countries. With a growing middle-class, emerging markets offer a similar market segment as international firms would target in their more traditional advanced markets. (Fletcher & Brown, 2008)

BRIC nations (Brazil, Russia, India and China) met for the first time in 2006 in New York. Four high level meetings followed leading to the group meeting for their first official summit in June 2009 in Yekaterinburg, Russia. The main focus of this meeting was to discuss ways of improving the current global economic situation as well as discussing how the four countries could better work together in the future.
After being formally invited South Africa became an official member of the group in December 2010 to form what is now known as BRICS. South Africa attended it's first BRICS summit as a full member in Sanya, China in April 2011. (Wikipedia, 2011)

As at 2010 the BRIC emerging markets accounted for 37% of the planet's land and 40% of the world population. The weight of the BRIC's GDP in US$ grew from 8% in 2000 to 18% in 2010, GDP in US$ on a PPP basis was 25% of the global total and BRIC countries accounted for 15% of world exports. During the 2009 global recession the world GDP dropped by 2%, but the BRIC's expanded by 4.3%. (Kuboniwa, 2011) Trade among BRICS nations increased from US$21.6 billion in 2001 to US$154.5 billion in 2009.

(See also figure 1, appendix 2)

1.2 Growth of Middle-class China & India

Of the BRICS nations China and India have the fastest growing economies. This is due to the significant growth in the number of Chinese and Indian middle-class consumers.

(See also figure 2, appendix 3)

1.2a China

There are estimated to be 300 million (25% of the population) people in China's middle-class. (Best, 2011) The Chinese National Bureau of Statistics considers those earning 60,000-500,000 yuan per year to be middle-class. Even if 70,000 yuan was necessary to be considered middle-class, China could quite possibly have 600 million middle class citizens by 2015. (Best, 2011)

Because of better education in the younger generation it is predicted that the wealthiest consumers in China will be between the ages of 25-44 years old. (The McKinsey Quartley, 2006)

(See also supporting information 1, appendix 1 & figure 3, appendix 4)

1.2b India

There are estimated to be 160 million people in India's middle-class (13.1% of population) with this number expected to reach 267 million by 2015 based on a household income of between Rs 3.4 lakh to Rs 17 lakh (at 2009-10 price levels).

A large portion of the Indian population between the ages of 20-34 years old have a considerably high purchasing power, (Domodaran, 2011) coupled with the typical Indian middle-class family saving 50% of their income, this is creating strong retail growth.

(*See also supporting information 2, appendix 1 & figures 4 & 5, appendix 5)*

1.3 Trade Between NZ – China & India

In the year ending June 2010 Australia remained NZ's strongest trading partner accounting for 24% ($9.7 billion) of total exports and 19% ($7.8 billion) of imports. China was 2nd on the list accounting for 10% ($4.1 billion) of total exports and 15% ($6.1 billion) of imports. India came in as our 15th largest trading partner accounting for 1.8% ($726 million) of total exports and .9% ($362 million) of imports. (New Zealand Ministry of Foreign Affairs & Trade, 2010)

1.3a China

NZ's top five exports to China at year ending June 2010 (NZ$000) were milk powder ($1,217,722), logs ($655,376), wool ($243,875), malt ($212,827) and timber (sawn or chopped) ($129,386) accounting for 60% of the total exports from NZ to China.

Total exports to China of $4,108,621 increased over the same period 22.3% from $3,359,366. (New Zealand Ministry of Foreign Affairs & Trade, 2010)

China's top five exports to NZ at year ending 2010 (NZ$000) were computers ($599,130), telephone equipment ($362,494), television receivers ($156,195), suits (women's or girls) ($136,121) and printing machinery ($109,950) accounting for 22% of total exports from China to NZ.

Total exports from China to NZ of $6,119,225 decreased over the same period by 8.1% from $6,658,359. (New Zealand Ministry of Foreign Affairs & Trade, 2010)

(See also supporting information 3, appendix 1)

1.3b India

NZ's top five exports to India at year ending June 2010 (NZ$000) were confidential items ($267,543), logs ($121,942), butter ($72,156), milk powder ($58,622) and wool ($43,791) accounting for 78% of total exports from NZ to India.

Total exports to India of $762,009 decreased over the same period by 0.1% from $762,868. (New Zealand Ministry of Foreign Affairs & Trade, 2010)

India's top five exports to NZ at year ending 2010 (NZ$000) were medicaments (in measured doses) ($39,630), petroleum oils (not crude) ($35,520), jewellery items ($21,588), diamonds ($13,421) and confidential items ($13,398) accounting for 34% of total exports from India to NZ.

Total exports from India to NZ of $364,482 increased over the same period by 6.6% from $341,813. (New Zealand Ministry of Foreign Affairs & Trade, 2010)

(See also supporting information 4, appendix 1)

1.4 Future Export Growth

The majority of NZ's exports have traditionally been based around supplying bulk primary commodities such as dairy, logs and wool. With the rapid growth of the middle-class sector throughout the emerging markets new higher value supply opportunities have started to develop. Many new export growth areas have already been identified offering opportunities to NZ companies.

1.4a Food & Beverage

With NZ's image and reputation of being 'Clean and Green' our companies have a competitive advantage in supplying high quality foods to emerging markets. Consumers in these countries are looking for safe quality products and as disposable incomes rise they can afford to buy better quality, imported products.

As urban consumers start to move away from traditional produce markets towards hypermarkets and restaurants, significant opportunities will open up for NZ's quality foods.

Although we already export large volumes of low value dairy and milk products there are niche opportunities to supply higher value-added products such as prime meat cuts to the growing hotel and restaurant market.

In China high-end hotels, restaurants, bars, nightclubs and foreign supermarket chains have seen increased demand for imported wines, opening up significant opportunities for NZ wine exporters. (New Zealand Trade & Enterprise, 2010)

1.4b Environmental Technology

As emerging nations are urbanizing they are becoming continually aware of the impact a large population can have on the environment and are seeking ways to improve such things as sanitation, water, energy and infrastructure. This creates opportunities for NZ companies to partner with local companies in sharing knowledge and expertise.

With the increasing construction of large scale building developments emerging nations are looking to build greener using environmentally friendlier building products and methods. This sort of niche market opens opportunities at the mid to high end of the value chain. Where developers are looking to differentiate their developments from others, NZ companies can come in to supply innovative, green products.

In India there is a wider acceptance developing for the use of timber in modern construction. Although this is moving slowly the sheer size of the construction industry could see partnerships developing with NZ companies offering experience and expertise. (New Zealand Trade & Enterprise, 2011)

1.4c Education

As the middle-class sector grows in emerging nations along with higher discretionary incomes so too will the desire for higher education. With our high quality education, lower fee structure and safer living environment NZ is an appealing prospect to international students.

In 2009 approximately 22,000 students from China studied in NZ (New Zealand Trade & Enterprise, 2010), and in 2010 over 9000 Indian students studied here. These numbers will only grow stronger offering further opportunities to NZ tertiary institutions. There will also be opportunities for NZ tertiary institutions to expand into emerging nations by offering courses in local institutions under collaboration or twinning arrangements. (New Zealand Trade & Enterprise, 2011)

2.0 Country of Origin Effect & Image

2.1 Perception in China

With NZ traditionally concentrating on the export of primary commodities to China there has been an emphasis on creating an image of a 'Clean and Green' NZ. This has worked well for the most part and has portrayed a consistent message to the 100% pure NZ brand used by Tourism NZ. As NZ matures and diversifies as an export nation we need to be recognized for our creativity, innovation and proficiency in the use of technologies (Hall, 2010) in order to grow these higher earning exports.

In China and most of the world we have been perceived as being an agricultural country high in human values but low in business acumen. (Gibson, 2008) This perception has a negative effect on encouraging trade in alternative areas to our traditional primary product roots.

In order to overcome this perception the Brand NZ program was born. A New Zealand Trade and Enterprise initiative, Brand NZ was launched in 2002. (Ministry of Economic Development, 2006) The key objective of the Brand NZ program was to enhance NZ's brand to better differentiate NZ internationally. (Hall, 2010) This meant developing a strategy to promote NZ based on the core values we were already respected for, such as resourcefulness, honesty, and integrity.

It was no longer just about being known as 'Clean and Green'. We needed to be showing the Chinese market that we were smart, business-savvy, and had world-class capabilities. Our Chinese trade, investment and tourism partners needed to understand that NZ was committed to first-class quality, product and service integrity, and building trusted relationships (McPherson, N.D) as well as maintaining our core values.

In the 2010 Shanghai World Expo the NZ Pavilion saw just under 4.5 million visitors and received a silver medal for theme development. The Expo and the NZ Pavilion offered NZ businesses the opportunity to develop and build international relationships in China, and host their guests in an environment that featured a unique showcase of New Zealand culture, innovation and technology. Over the course of the expo, more than 9,000 guests were hosted at the pavilion's business VIP facilities. (New Zealand Trade & Enterprise, N.D)

(See also supporting information 5, appendix 1)

2.2 100% Pure New Zealand

The 100% Pure NZ campaign was launched by Tourism NZ in 1999 and has been selling a consistent message to the world ever since. The 100% Pure NZ campaign is one of the world's most respected tourism campaigns and is used in all international marketing work, including advertising, events, international PR activity and online marketing.

In 2007 100% Pure NZ did a re-launch of the brand focusing on the fact that NZ is the worlds youngest country, emphasising the openness of our people and the youth and vibrancy of our culture. (Tourism New Zealand, 2011)

In recent years NZ has received some bad PR with regards to the actual truth behind our 'Clean Green' image with our performance on greenhouse gases, depleting Hoki stocks and dirty rivers.

To overcome this 100% Pure NZ have moved away from 'Clean Green' being solely an image of NZ's environmental landscape to describing the visitor experience. The 100% Pure NZ brand has evolved further to New Zealand 100% Pure You in an effort to personalise the marketing message.

New Zealand 100% Pure You aims to capture the imagination of the target market through the communication of a special combination of activities, landscape, people and culture that create a uniquely NZ experience. People actively considering NZ as their next holiday destination will understand New Zealand as 100% Pure You. (Tourism New Zealand, 2011)

Because the middle-class target market of China lives predominantly in the urban areas they have a different perception of what 'Clean Green' is. With high levels of pollution and industrialisation in busy Chinese cities, NZ is seen as being a nice place to visit and a friendly peaceful paradise, despite recent bad press. (New Zealand Trade & Enterprise, 2007)

Middle-class Chinese tourists desire to live in an ideal, clean fresh-aired environment. (Zhao, 2006) So when choosing a destination to holiday in, these ideals are transferred to their holiday destination. As China's middle-class sector grows in numbers and in income levels more Chinese tourists will be looking to NZ as a favoured holiday destination to be able to experience not only our pristine landscapes but also our unique culture and relaxed lifestyle.

By selling the New Zealand Pure% You brand to the Chinese market NZ will be creating the 'Country of Origin Effect' engaging the Chinese middle-class tourists to choose NZ as their next holiday destination.

3.0 'Big Can Be Beautiful' – Mode of Entry

With India's middle-class sector growing rapidly in both size and wealth India has become a very attractive proposition for foreign Investments. Companies large and small see great potential for growth by entering into India.

However, companies must research not only the market with regards to the actual prospects of their product or service, but also the cultural norms which drive the thinking of the Indian people. (World Business Culture, N.D)

India is the seventh largest country in the world by land mass and the second largest by population. (Ernst & Young, 2010) The Indian people speak 16 official languages as well as many other local dialects and they live in 28 states and seven union territories. It is therefore very difficult to generalise the Indian market. (World Business Culture, N.D)

The mode of entry is a fundamental decision that a company must make when entering a new market. It not only determines the marketing and production strategies of the company but also effects how the company will deal with the challenges of deploying the new skills required to successfully market it's product or service. (Johnson & Tellis, N.D)

Of the five main categories of mode entry, Export, License and Franchise, Alliance, Joint Venture and Wholly Owned Subsidiary, (Johnson & Tellis, N.D) a joint venture with local franchisees would be the most successful entry option for Cookie Man.

By entering India under a joint venture with an already established Indian company Cookie Man would be able to take advantage of the local companies implicit knowledge of the Indian business culture as well as on the ground knowledge of the local Indian market. Cookie Man would still be able to maintain control of the brand and internal operations, as well as being able to taking advantage of local access to distribution and supply chains (Johnson & Tellis, N.D) plus knowledge of local marketing channels.

With a local partner established Cookie Man would then be able to establish franchise partners to open individual Cookie Man stores in key locations in the major cities. These stores would be self sufficient in their production of the Cookie Man product range, but would source all equipment, store fittings and ingredients through Cookie Man India and/or Cookie Man Australia.

As the Cookie Man brand builds a following through the key stores as well as marketing campaigns, Cookie Man would then be able to construct an Indian Cookie Man factory where cookie dough and other base products were able to be produced. An Indian chain of Cookie Man satellite stores would then be developed throughout India where Cookie Man satellite stores cooked cookies from base products purchased from Cookie Man.

This initiative would allow for Cookie Man to expand more rapidly throughout India offering franchises with more affordable set up costs, and a controlled product allowing Cookie Man to maintain a consistent and quality product and image throughout India.

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Appendix

Appendix 1*:*

Supporting Information 1: *Growth in Middle-class China*

In the first quarter of 2010, Chinese bought 4.61m cars, up 71.78% on the previous year. 56% of the Chinese middle-class were considering buying homes, expecting to pay a minimum 20% deposit. China's grocery retail is booming with new middle-class consumption patterns and increasing income creating continual growth. (iLook China, N.D)

Supporting Information 2: *Growth in Middle-class India*

India's middle-class currently owns 49% of the total number of cars in India, 21% of TVs, 53.2% of computers, 52.9% of Air/Cs, 37.8% of microwaves and 45.7% of credit cards. (The Economic Times, 2011)

Supporting Information 3: *Trade Between NZ & China*

New Zealand's merchandise exports for the year ending June 2010 was valued at $40.7 billion, down from $43 billion in the year ending June 2009.
The total value of imports was down from $46.1 billion in the year ending June 2009 to $40 billion in the year ending June 2010.

Over the same period NZ services exports were down $542 million to $12.2 billion and services imports were down $1.3 billion to $12.2 billion.

Total visitors over the same period were up 84,000 to 2.6 million visitors. (New Zealand Ministry of Foreign Affairs & Trade, 2010)

Under the NZ Inc Country and Regional Strategies, China was the second country to be developed. A Free Trade Agreement (FTA) between NZ and China has been active since October 2008. China is NZ's 2nd largest export market and 2nd largest source of imports. China is also our 2nd largest source of foreign students and 4th largest source of visitors. (New Zealand Minstry of Foreign Affairs & Trade, 2011)

NZ was the first OECD country to finalise an FTA with China, which will eventually eliminate 96% of tariffs on NZ exports to China. (New Zealand Trade & Enterprise, 2010)

Export dollars (NZ$000)

Top 5 Exports to China	Year Ending June 2009	Year Ending June 2010	% Change
Milk Powder	$632,969	$1,217,722	+ 92.4%
Logs	$ 404,616	$ 655,376	+ 62%
Wool	$ 221,150	$ 243,875	+ 10.3%
Malt	$ 308,500	$ 212,827	- 31%
Timber (sawn/chopped)	$ 119,662	$ 129,386	+ 8.1%

Export dollars (NZ$000)

Top 5 Imports From China	Year Ending June 2009	Year Ending June 2010	% Change
Computers	$ 471,773	$ 599,130	+ 27%
Telephone Equipment	$ 419,164	$ 362,494	- 13.5%
TV Receivers	$ 173,671	$ 156,195	- 10.1%
Suits (women's/girls)	$ 154,020	$ 136,121	- 11.6%
Printing Machinery	$ 119,520	$ 109,950	- 8%

(Table information adapted from, Global New Zealand International Trade, Investment and Travel Profile, Year End June 2010 (New Zealand Ministry of Foreign Affairs & Trade, 2010)

Supporting Information 4: *Trade Between NZ & India*

India was the first NZ Inc Strategy to be developed. Discussions on a bilateral FTA began in April 2010 and India is now our 8th largest export market. India is NZ's fourth largest education market and provides our 10th largest source of visitors. (New Zealand Minstry of Foreign Affairs & Trade, 2011)

Export dollars (NZ$000)

Top 5 Exports to India	Year Ending June 2009	Year Ending June 2010	% Change
Confidential Items	$ 495,467	$ 267,543	- 34%
Logs	$ 62,225	$ 121,942	+ 96%
Butter	$ 37,896	$ 72,156	+ 90.4%
Milk Powder	$ 1,083	$ 58,622	+ 5,314%
Wool	$ 427,76	$ 43,791	+ 2.4%

Export dollars (NZ$000)

Top 5 Imports from India	Year Ending June 2009	Year Ending June 2010	% Change
Medicaments	$ 33,960	$ 39,630	+ 16.7%
Petroleum Oils (not crude)	$ 1,857	$ 35,520	+ 1,813%
Jewellery Items	$ 12,517	$ 21,588	+ 72.5%
Diamonds	$ 12,799	$ 13,421	+ 4.9%
Confidential Items	$ 22,304	$ 13,398	- 39.9%

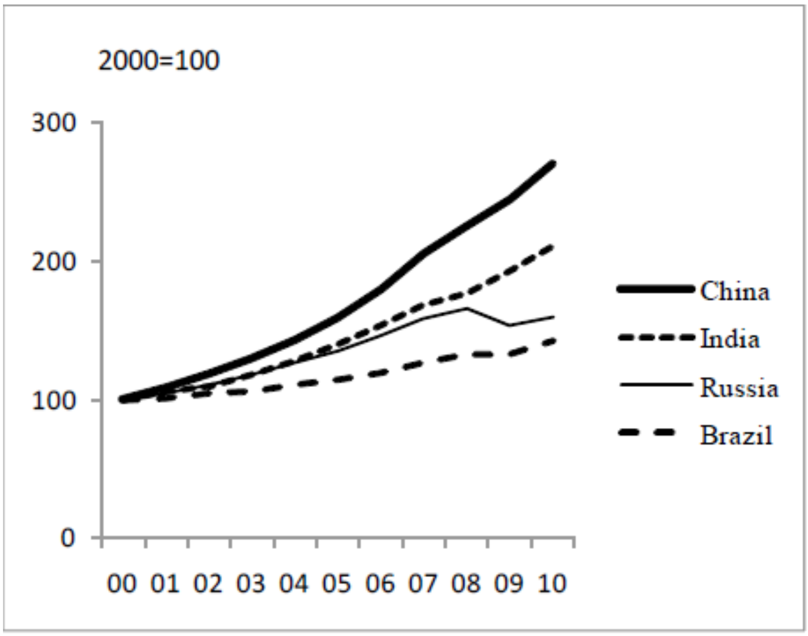
(Table information adapted from, Global New Zealand International Trade, Investment and Travel Profile, Year End June 2010 (New Zealand Ministry of Foreign Affairs & Trade, 2010)

Supporting Information 5: *Country of Origin Effect & Image*

Country of Origin (COO) in marketing terms is the positioning of a countries brand on an international level. The way that a country is perceived can be crucial in establishing successful trade relationships with other nations. The Country of Origin Effect is the point at which knowing where a product is made will positively or negatively influence a consumer's decision to purchase it. (GfK Roper Public Affairs & Corporate Communications , 2011)

Appendix 2*: BRICS Emerging Markets*

Figure 1: *GDP Growth in BRICs in the 2000s* (Kuboniwa, 2011)

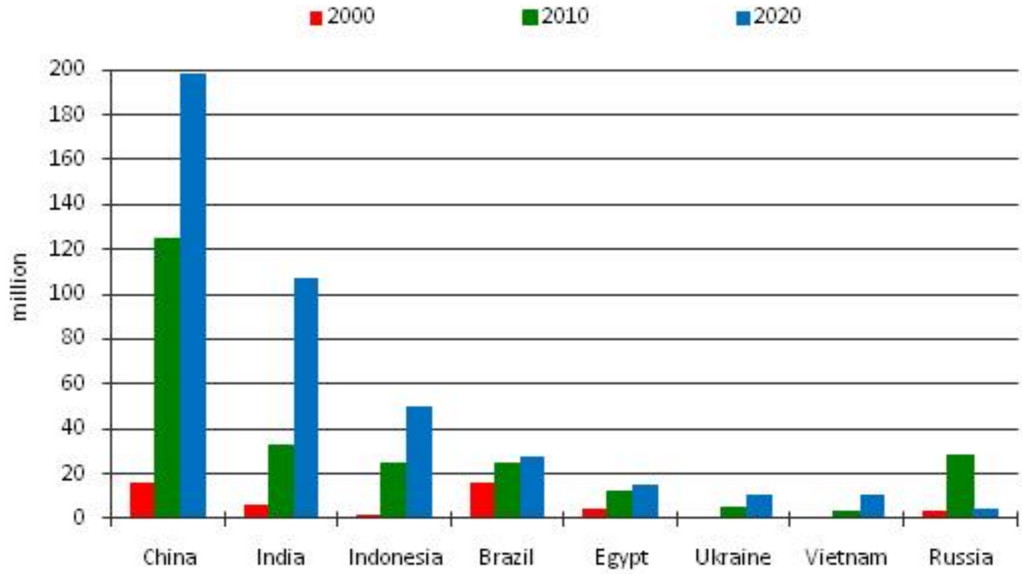


Appendix 3*: Growth in Middle-class China & India*

Figure 2: *Annual Disposable incomes in emerging nations* (The Next Big Thing, 2010)

Number of households with annual disposable income of US$5,000-15,000 in selected economies: 2000-2020

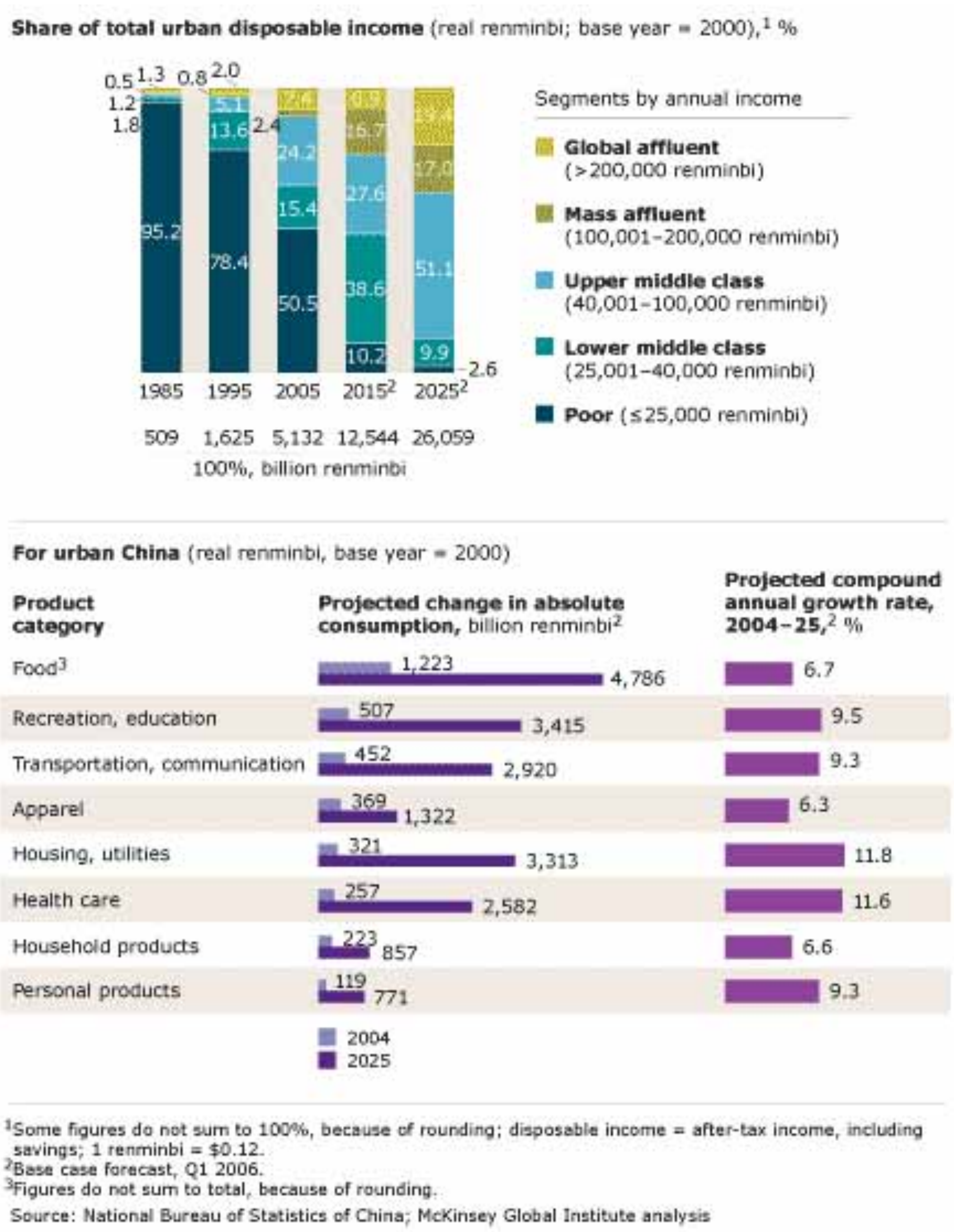
Million



Source: Euromonitor International from national statistics. Note: Data for 2010 and 2020 are forecasts.

Appendix 4: *Growth in Middle-class China*

Figure 3: *Disposable income and consumption in urban China* (iLook China, N.D)



Appendix 5*: Growth in Middle-class India*

Figure 4: *Average spending as % of expenditure in India* (The Financial Literates, 2010)

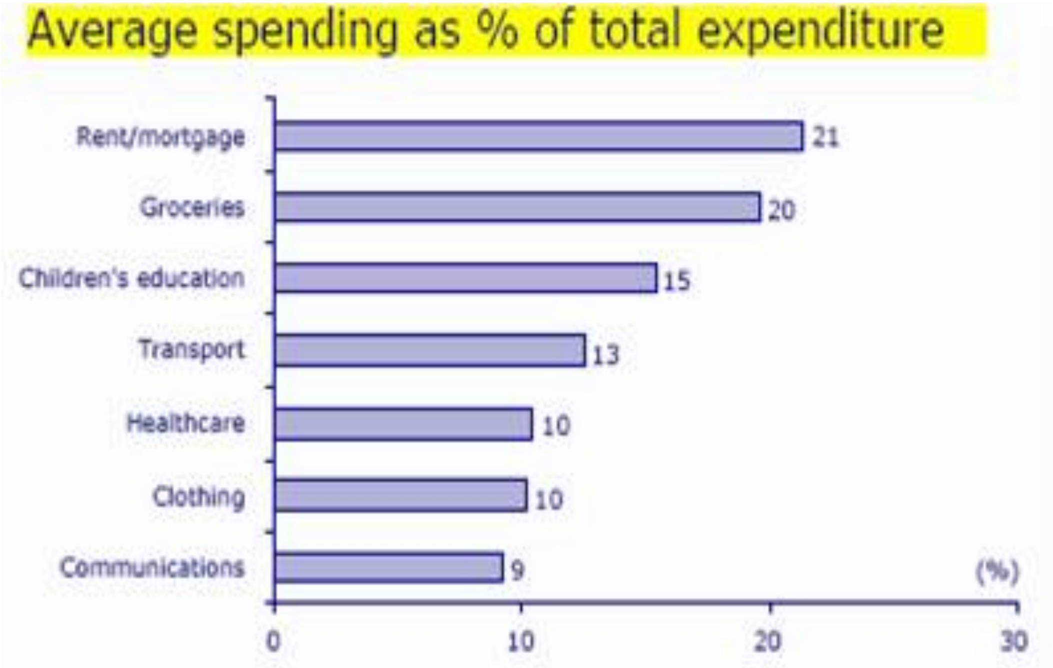


Figure 5: *Rise in number of cars purchased in India* (The Financial Literates, 2010)