



Global Peer Powered Network

University of California
Berkeley
Haas School of Business

Challenger Brands From **DEVELOPING MARKETS**

Africa and The New Global Contenders

PRESENTATION TO HAAS SCHOOL OF BUSINESS, FEBRUARY 14TH, 2014

Presentation Overview

- My Credentials and Connections to Africa
- A Light-hearted and Serious Look at South Africa
- CMO Council Introduction
- The Global Corporate Realignment
- New Emerging Market Multinationals
- New Contenders and Disruptors
- Challenger Brands in South Africa
- Why Africa is Attracting Attention
- Contrasting South Africa to South Korea



GLOBAL EMERGING MARKETS
 ME, Africa, India, Asia, Latin America



MY PERSONAL
BRAND JOURNEY

SOUTH AFRICA
 DURBAN
 PORT ELIZABETH
 GRAHAMSTOWN

My South African Connections



THE SABLE ACCELERATOR™

 SOUTH AFRICAN BUSINESS LINK TO EXPERTS



RHODES UNIVERSITY

Where leaders learn





The Reeds

 at Balgowan



South Africa. Never be Surprised!



20 South African Stats That Might Startle You

1. Highest crime rate in the world
2. Highest electricity price in the world
3. Third highest food prices in the world
4. Highest unemployment in Africa
5. Most expensive cellular rates in the world
6. Highest number of rapes in the world
7. Fourth highest murder rate in the world
8. Country with the most public protests in the world (2013)
9. Highest number of AIDS in the world
10. President (leader) with the lowest education (grade 5)
11. Fifth lowest GDP in the world out of 176 countries
12. Highest GINI in the world (inequality)
13. Highest depreciating currency in the world 2013
14. Largest infrastructure project in the world
15. Highest number of hijackings in the world
16. Highest number of infant murders in the world
17. Highest elderly (over 65) rapes in the world
18. Voted worst education system in the world 2013
19. Most expensive presidential home in the world
20. Highest teenage pregnancies in the world

Introducing the CMO Council

7000
multi-sector
members

7
regions

110
countries

\$400
BILLION
In annual spend

Digital
PUBLICATIONS
+ **REPORTS**

10-plus
SIGS &
microsites

CMO
support
services

Brand-Centric Thought Leadership

Brand **Experience**

Brand **Inspiration** Brand **Globalization**

Social Brand

Geo Branding

Ethical **Branding** Brand **Equity** Brand **Affinity**

Brand **Performance Measurement**

Brand **Localization**

Brand **Logistics**

The Global Corporate Realignment

McKinsey Global Institute Research Predicts...

 *More than **45% of the Fortune Global 500** will be based in dynamic, emerging markets by 2025 compared to 17% in 2000*

The Global Corporate Realignment

McKinsey Global Institute Research Predicts...



15,000 companies will have \$1B-plus in annual revenues compared to **8,000 in 2010**; 40% of new large companies will be located in the emerging world

Why Did These Companies Make News Recently?



China Precision
Machinery Export-
Import Corp.



DEL MONTE FOODS



The Answers...



Beat out Raytheon and Lockheed Martin for a major Turkish long-range missile system contract



Canned food business bought by its family owned, Philippines-based regional partner for \$1.68 billion



Acquired U.S. pork producer Smithfield Foods for \$4.7 billion, the largest Chinese takeover of an American company

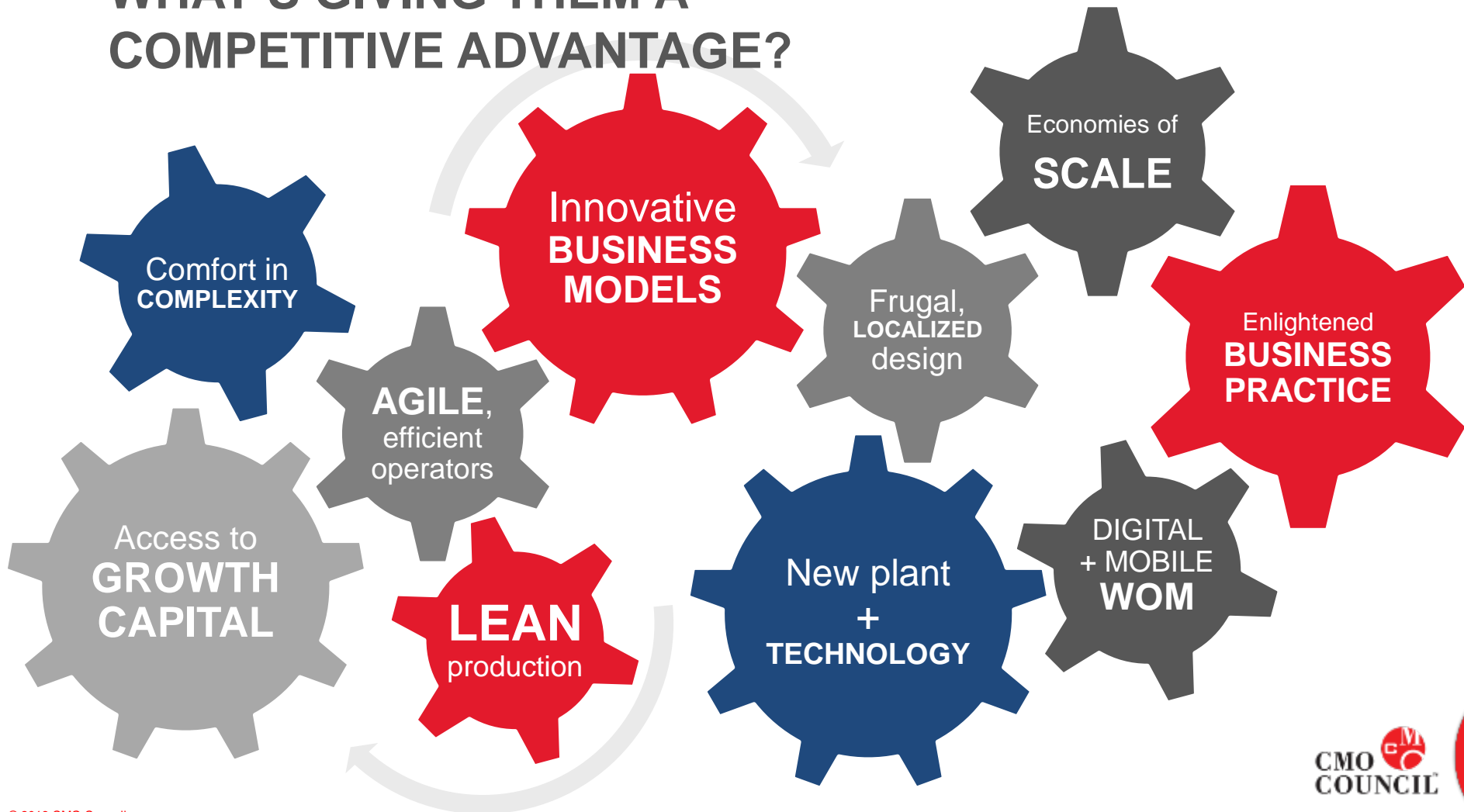
The New Elite: Emerging Market Multi-Nationals

- Over **1,000 companies** based in emerging markets have topped **\$1 billion** in annual sales
- Top **100 Challengers** purchase more than **\$1.7 trillion** of goods and services a year
- Combined annual revenues exceed **\$8 trillion**
- Average revenues exceed those of the average S&P 500 company
- Annual capital spending is in excess of **\$330 billion**

**Boston Consulting Group
Allies & Adversaries Report, 2013**

New Category Contenders and Disruptors

WHAT'S GIVING THEM A COMPETITIVE ADVANTAGE?



Brands You Hardly Know Will Really Grow...



ROEWE



Strategies for Global Growth*



* The New Emerging Market Multinationals: Four Strategies for Disrupting Markets and Building Brands by Amitava Chattopadhyay, Rajeev Batra, and Aysegul Ozsomer

Western Market Entry

ACQUIRE
— WHAT CONSUMERS —
DESIRE

Tata Motors



Lenovo

ThinkPad



Grupo Bimbo

Sara Lee



Tata Group



Geely



Dongwon

StarKist



Yildiz Holding



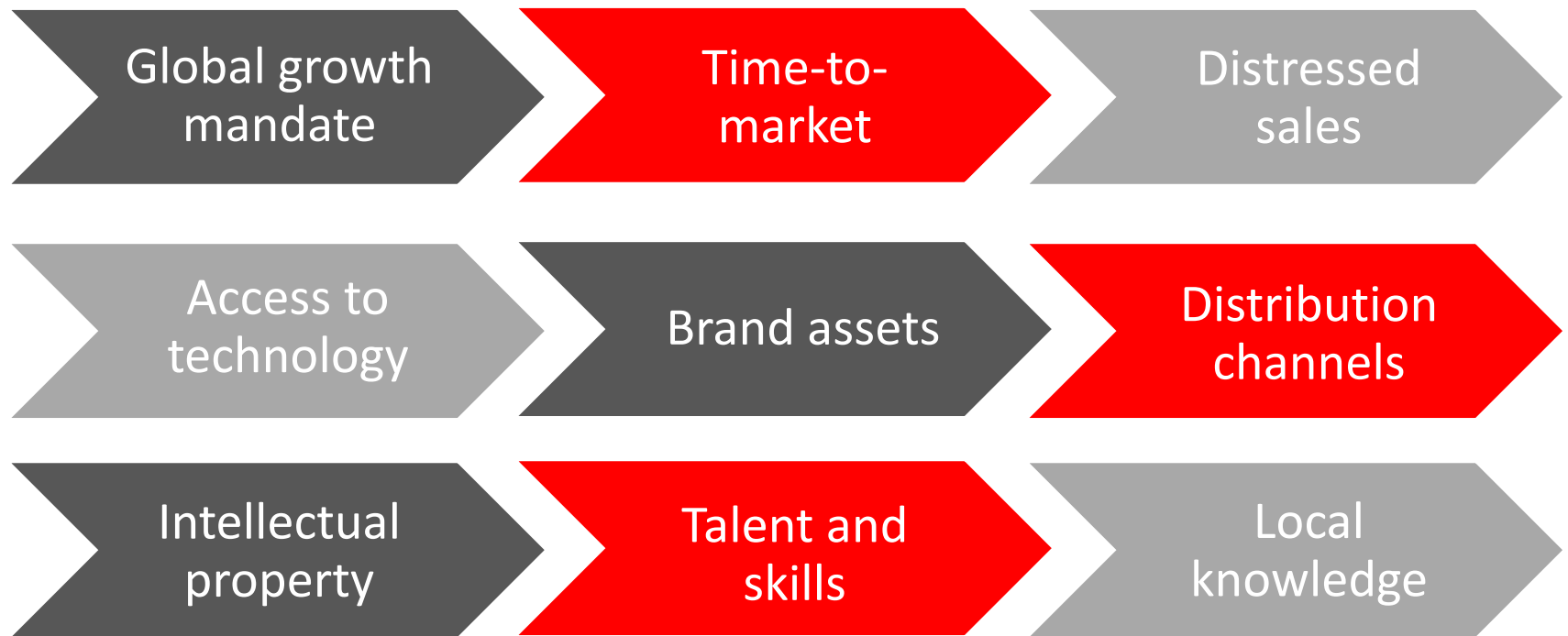
SAB



Nanjing
Automobile Group



Why Are Emerging Market Companies Buying Brands?

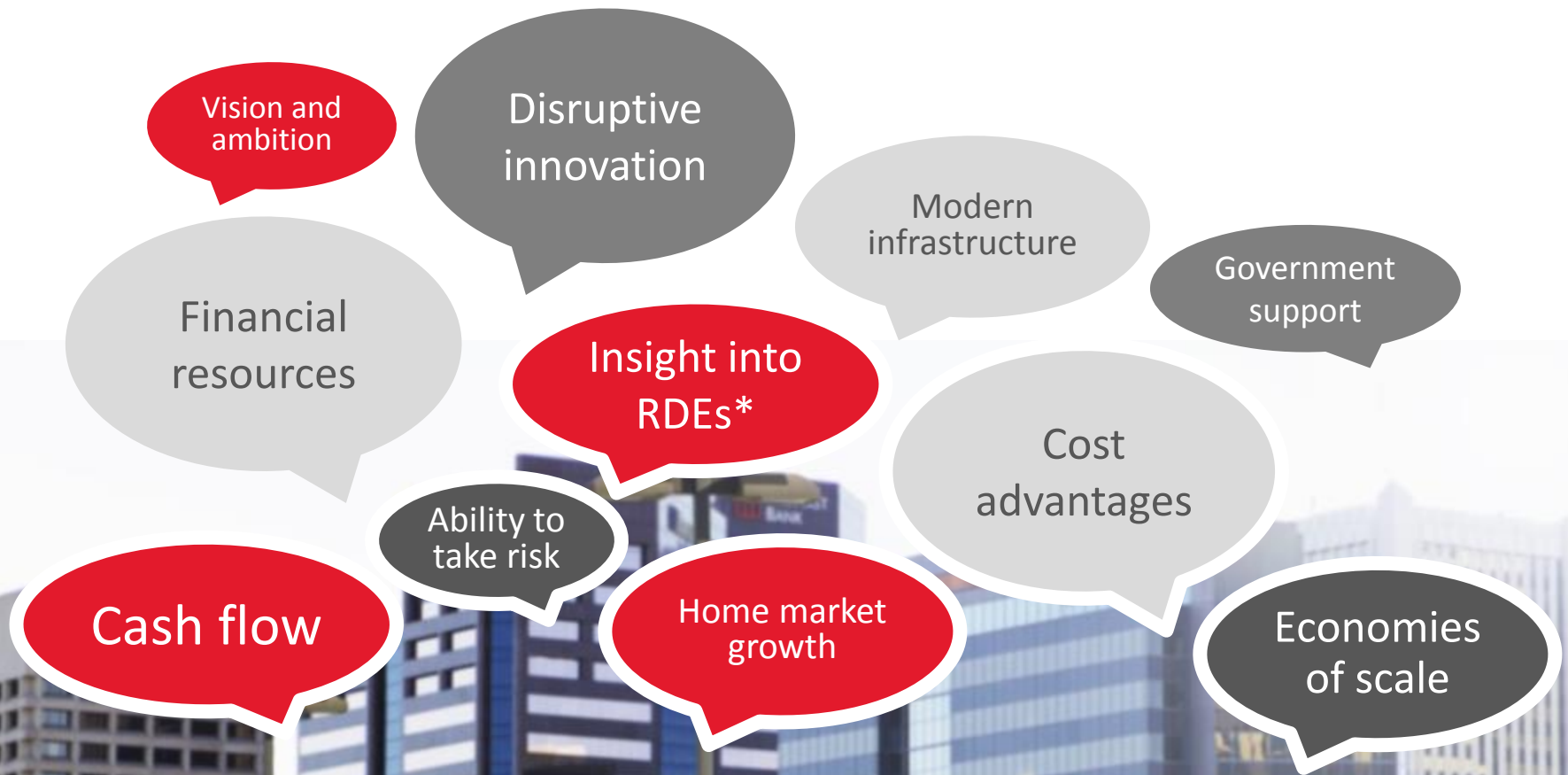


What Challenges Do They Face?



- Localization requirements
- Public prejudice
- Tariffs and restrictions
- Skills gaps
- Brand distinction
- Quality Perceptions
- Competition for talent
- Cost of doing business
- Budget limitations

What Characterizes the New Contenders?



***Rapidly Developing Economies**

Requirements to Succeed

- Clear value proposition
- Customer experience
- Customer-centricity
- Brand trust and affinity
- Organizational culture
- Operational excellence
- Lean and green commitment
- Marketing investment
- Partnerships and alliances
- World-class business standards



A Sample of “Gazelles” in South Africa



RICHEMONT





WHY **AFRICA** is attracting attention

BOND INDICES

Market iBoxx May 5

Overall (€)	1093	214.89	0.21
Overall (\$)	3292	184.81	0.21
Overall (C)	2276	167.99	0.21
Global Inflation-Link	57	204.99	0.21
Govts (€)	50	204.99	0.21
Corporates (€)	7	204.99	0.21

Why Africa is attracting attention



Why Africa is attracting attention

**WORLD'S FASTEST
GROWING POPULATION:**

**40% of global
population by 2020**

(UN)

**WORLD'S YOUNGEST
POPULATION:**

50% < 20 years of age

(Those aged 16-34 years
account for 53% of income)



Why Africa is attracting attention

40% of Africans live in cities

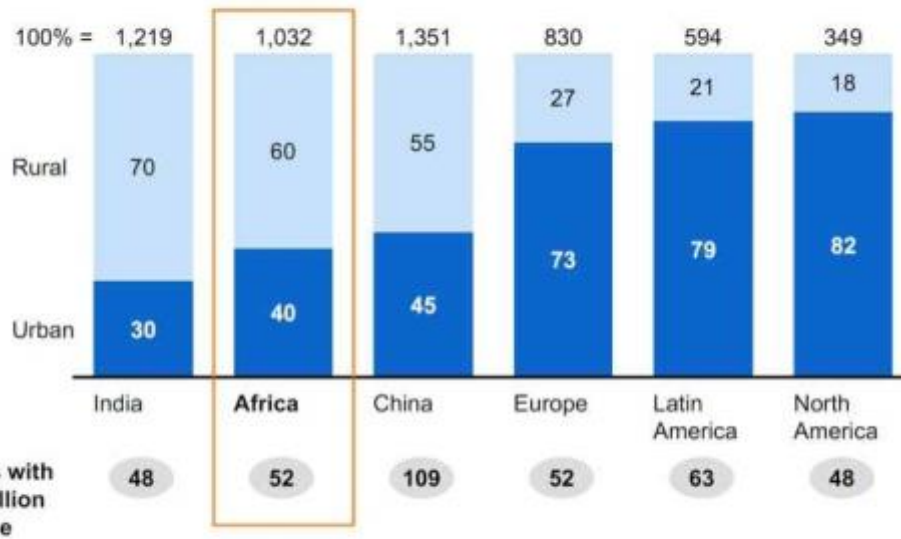
– Africa is more urbanized than both China and India



By 2016, > 500M

will be living in urban centers

Share of rural vs. urban population by region, 2010
%, million



Cities with >1 million people

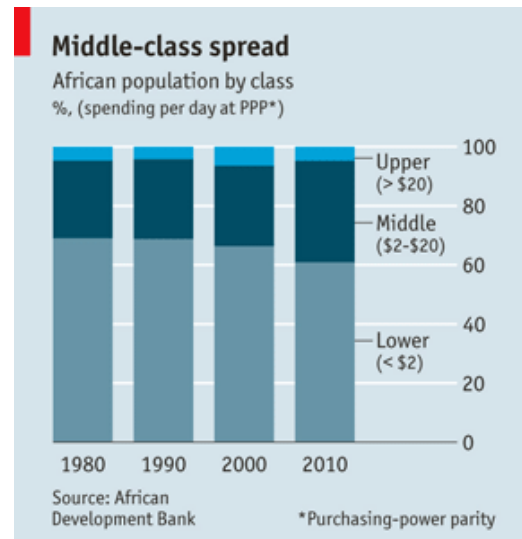
SOURCE: United Nations; McKinsey Global Institute



Why Africa is attracting attention

**DISCRETIONARY INCOME IS ON THE RISE –
growing from 85M HHs today to 130M in 2020**

Big shift from fragmented, informal retailing to formal shopping environments (Shoprite, Massmart, Woolworths, etc.)

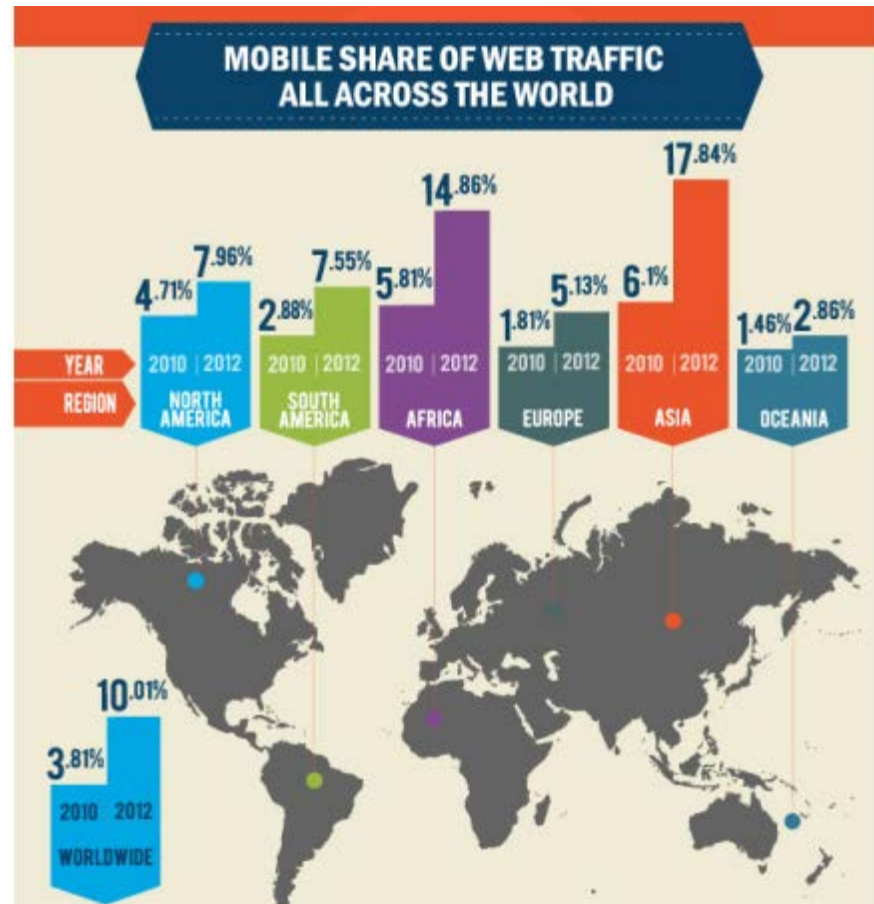


Source: Economist

Why Africa is attracting attention

MOBILE AND DIGITAL MEDIA ARE BIG INFLUENCERS OF BUYING AND WOM REFERRAL

(50% of Africans rely on friends and family for validation)



Source: University of Waterloo

Why Africa is attracting attention

MOBILE DIGITAL MEDIA PENETRATION

695 million mobile phone subscribers (65% of population)

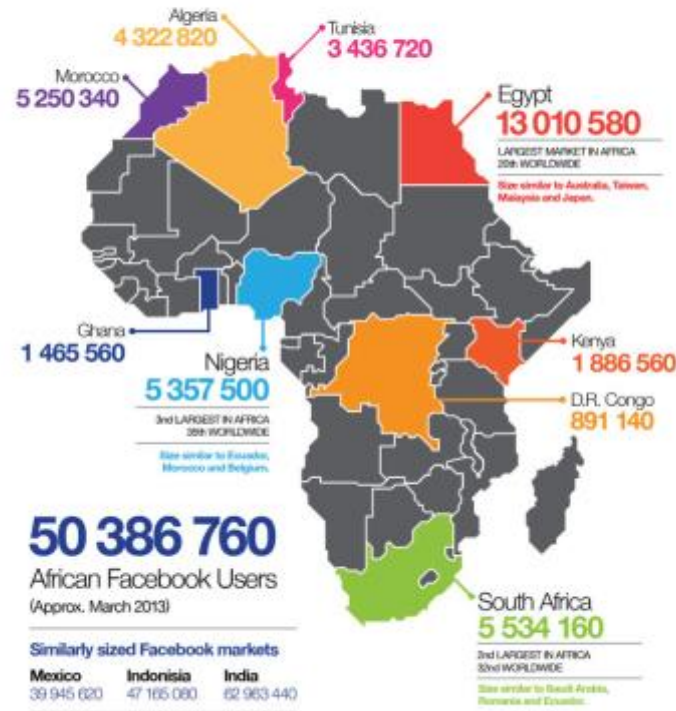
167 million Internet connections (15% of population)

51 million Facebook members

African Facebook Users in 2013



An overview of the latest user numbers in the largest Facebook markets across Africa.



Source
<http://www.socialbakers.com>

afrographique.tumblr.com
Infographic designed by @vanisawesome

Why Africa is attracting attention



**TV, RADIO AND PRINT STILL RULE
TRADITIONAL MEDIA**

**80% of Africans rely on TV
for grocery information**

Why Africa is attracting attention

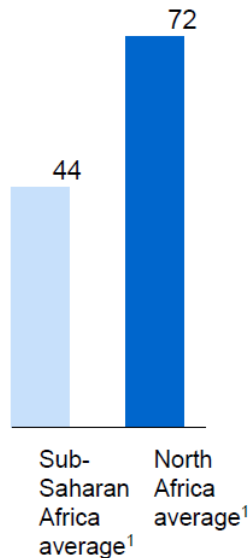
URBAN AFRICANS HAVE MODERN, SOPHISTICATED TASTES

Consumers equate popular brands with quality and will pay a premium for them

McKinsey Global Institute

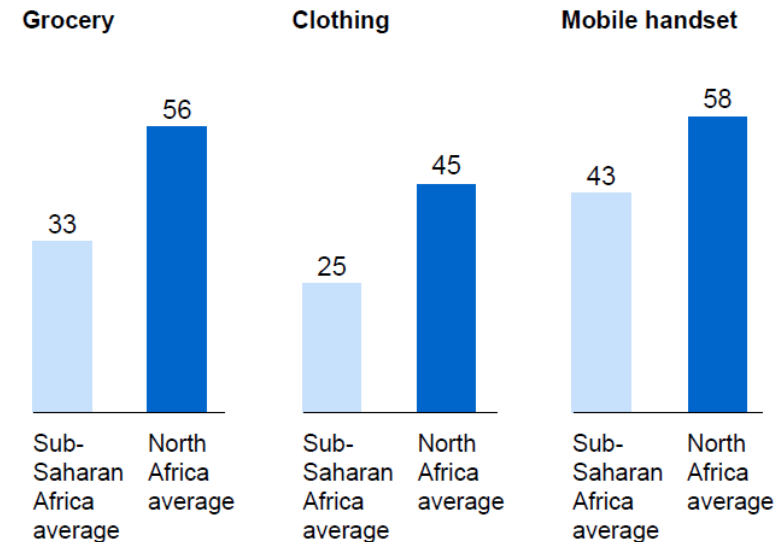
Quality perceptions

% who agree with statement, "Well-known (food) brands are always better quality"



Willingness to pay a premium for brands

% who agree with statement, "I only shop for well-known brands, even if it means paying more"



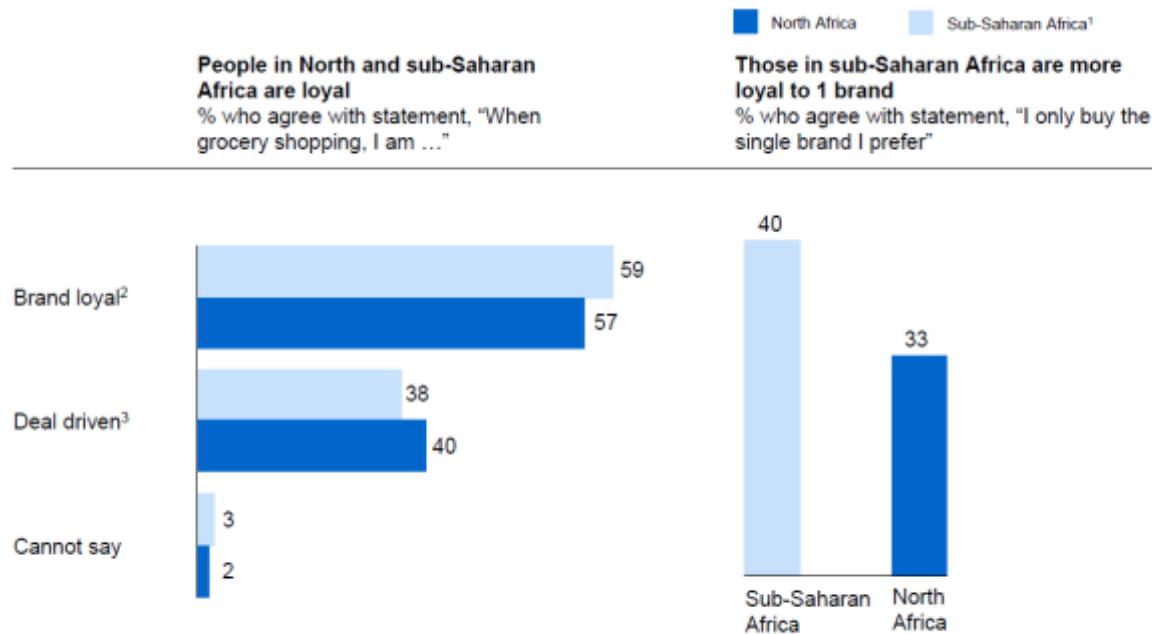
¹ Sub-Saharan Africa includes Angola, Ethiopia, Ghana, Kenya, Nigeria, Senegal, and South Africa; North Africa includes Algeria, Egypt, and Morocco.
Source: Africa Consumer Insights Center survey, 2011 and 2012

Why Africa is attracting attention

QUALITY AND BRAND MATTER...SO DOES VALUE AND DEALS

Brand loyalty is high across Africa

McKinsey Global Institute



¹ Sub-Saharan Africa includes Angola, Ghana, Kenya, Nigeria, Senegal, and South Africa; North Africa includes Algeria, Egypt, and Morocco. Ethiopia is excluded due to its similarity to North Africa.

² Brand loyal is the sum of consumers loyal to 1 specific brand or a small selection of brands.

³ Deal driven is the sum of consumers that are open to brands on promotion and those that always buy the brand offering the best deal.

Source: Africa Consumer Insights Center survey, 2011 and 2012

Contrasting

SOUTH AFRICA

to

SOUTH KOREA

BOND INDICES

Market iBoxx	May 5
Overall (G)	100%
Overall (B)1	100%
Overall (C)	22%
Global inflation-Link	
Govts (G)	
Corporates (G)	

Contrasting South Africa to South Korea

	South Korea*	South Africa**
Population	\$48.6M	\$49M
GDP	\$1.5 Trillion	\$592B
Ranking	15 th	24 th
Exports	\$548B	\$106.8B
Unemployment	3.8%	25%-40%
EODB*	8 th	39 th
GDP per Capita	\$30K	\$10K
Poverty	15%	31%
Labor Force	25M	18M
Tertiary Education	90%	15%

* *Ease of Doing Business*

* **Asia's fourth largest economy**
 ** **Africa's largest economy**

Contrasting South Africa to South Korea

WHAT DIFFERENTIATES SOUTH KOREA?

- Long-term master planning
- Shared identity and culture
- World-class education system
- Math, science, engineering focus
- Manufacturing-driven economy
- Export-oriented mindset
- Public-private sector synergies
- Family-controlled conglomerates

Contrasting South Africa to South Korea Cont.

WHAT DISTINGUISHES SOUTH AFRICA?

- Diversified economy
- Ingenuity in face of adversity
- Entrepreneurship
- Complex society
- Natural resources
- Global destination
- Regional leadership
- English language skills



South Africa. The Good News.

(See SAGoodNews.co.za)

- SA ranked 28th out of 167 countries in the 2011 Democracy Index, compiled by Economist Intelligence Unit, ahead of France, Italy, Greece and all of the other BRICS countries.
- According to Open Budget Index 2012, SA has the second most transparent budget in the world.
- SA ranked 52nd out of 144 countries in the World Economic Forum's Global Competitiveness Report 2012/13.



South Africa. The Good News.

- SA ranked 10th out of 183 countries for good practice in protecting investors in business (World Bank Doing Business Report 2011).*
- SA placed 14th in a list of 21 countries ranked by international companies as top prospective investment destinations for 2012 to 2014 (World Investment Report from UNCTAD).*
- South Africa ranked 34th out of 183 countries for ease of doing business (Doing Business 2011, World Bank and International Finance Corporation).*

* http://www.sagoodnews.co.za/fast_facts_and_quick_stats/index.html



Global Peer Powered Network

For More Information:

Donovan Neale-May

Executive Director

donovan@cmocouncil.org