Hot topic

International research

Verbatim:

'Clients are trying to bring more of a world view to the whole marketing research industry.'

EXPLORE NEW TERRITORY

Four non-BRIC regions emerge as hot MR markets

By MICHAEL FIELDING
Staff Writer

Despite their distinction at the top of the world's emerging markets and a spot as the most popular of international business conversation topics, the BRIC countries—Brazil, Russia, India and China—accounted for only about one-third of the total increase in the GDP of all emerging economies globally in 2005, according to the World Bank, proving there are markets to explore beyond the big four.

Market researchers agree.

"We have looked at high-growth, high-opportunity markets, but BRICs are not the only places we are looking at right now," explains Marty Lautman, chairman of New York-based GfK Custom Research North America, a business unit of Nuremberg, Germany-based GfK Group.

The new regions that researchers are eyeing include Southeast Asia, whose consumers are among the world's early adopters of technology; Eastern Europe, where the purchasing power of half a dozen cities exceeds that of China's richest city, Shanghai; Central America, where CAFTA-DR is expected to be a boon to the small but sturdy economies; and even sub-Saharan Africa, where record economic growth and a wave of privatization have thrust an entire continent onto the world stage.

"While there is a focus in high-growth markets, there is a need to have common analytics and strategies across regions and the whole world. To do that we need to have a much broader view across all these countries," Lautman adds. "Clients are trying to bring more of a world view to the whole marketing research industry."

The power of the Internet has helped usher in this new era of marketing research, particularly in light of the consolidation among research companies in recent years. Yet the main drivers of this shift in research are the consumers themselves. Today's consumer is much more world-oriented than ever before. "They all have (MP3 players). They all watch MTV," Lautman says. "So the ability to access these individual consumers is no longer country-specific."

Southeast Asia

They've been called the new Asian tigers, referring to their export-driven trade and impressive levels of foreign direct investment. Several countries in this powerhouse of emerging markets—Indonesia, Malaysia, Thailand and Vietnam—are among the most mature of the world's emerging markets.

Top five growth rates in Southeast Asian market research between 2004 and 2005

Country	Absolute growth rate*
Thailand	28.8%
Malaysia	23.1%
Indonesia	17.8%
Vietnam	12.0%
Philippines	12.4%

*Based on turnover in local currencies for 2004 and 2005 and converted into dollars using 2005 exchange rate.

Source: ESOMAR Global Market Research 2005

"Research there just keeps growing. It is just beginning out there," Lautman says.

In 2005, foreign direct investment (FDI) to the region accounted for 18% ($165 billion) of total world foreign direct investment inflows. Thousands of expatriates have returned home from the United States, United Kingdom and elsewhere, to use their technical skills and knowledge of English to boost the economy of the region.

The economic success of Asia's leaders—India and China—has helped the next tier of emerging markets, says George Haley, who has served on the faculties of Harvard and Fordham universities and who currently serves as professor of industrial marketing and director of the Center for International Industry Competitiveness at the University of New Haven in Connecticut. The Center helps small and medium-sized manufacturers with market identification and analysis.

Increasing labor costs in China have forced multinationals to look elsewhere, mostly for manufacturing services, which in turn has helped the economies of China's neighbors such as Indonesia, whose mostly young population of 245 million makes it an ideal consumer market; Thailand, which is considered by the World Bank to be one of the easiest places to do business in Asia; and Vietnam, whose growing middle class has benefited from the 30-year American presence.

"Especially in the south of Vietnam, people are quite capitalistically oriented," says Haley of the country's growing number of small businesses that have helped make it Asia's second-fastest growing economy, at more than 8%. "The highest income is largely in the urbanized areas. You're not going to find people who have tremendous resentment against the United States or its allies."

On the whole, the region is leading the rest of the emerging markets in several areas. "They are market-conscious consumers and are amenable in many ways to new technologies and new development. It's a fabulous market," Lautman adds.

Eastern Europe

While some of Western Europe's economies were sluggish in the past two years, Eastern Europe has been a different story. Growth of individual countries there has outpaced several of those in Western Europe, bolstered by a variety of factors, including cheap labor. Estonia registered annual growth of 10% in 2005, while Lithuania hit 7% and the Czech Republic reached 6% (compared with the U.S. growth rate of 3.5% in 2005).

With an increasingly stable political landscape in Eastern Europe, the consumer markets continue to mature. Consider that the per-capita gross national income of several of the region's markets—including Czech Republic, Hungary and Poland—is higher than any of the BRICs. Additionally, the purchasing power of several major cities—Prague, Czech Republic; Ljubljana, Croatia; Bratislava, Slovakia; Tallinn, Estonia; Budapest, Hungary; and Vilnius,

See INTERNATIONAL / Page 26

Top five growth rates in Eastern Europe market research between 2004 and 2005

Country	Absolute growth rate*
Latvia	43.3%
Bulgaria	28.5%
Slovak Republic	19.9%
Poland	16.1%
Estonia	14.5%

*Based on turnover in local currencies for 2004 and 2005 and converted into dollars using 2005 exchange rate.

Source: ESOMAR Global Market Research 2005

INTERNATIONAL / From page 25

Central America interests investors, researchers alike

Lithuania—exceeds that of Shanghai.

"There's a lot of catch-up demand for European and American goods. Much of the population still has a warm spot in its heart for America since the end of the Cold War," explains Dorothee Heisenberg, S. Richard Hirsch Associate Professor of European studies at Johns Hopkins University in Baltimore.

In fact, GDP growth in all of Eastern Europe in 2005 exceeded that of the European Union as a whole. Total spending on marketing has enjoyed solid growth in the last 15 years, says Margo Veskimagi, Baltic region manager for London-based Taylor Nelson Sofres plc. "The currencies have been very stable, and now there is a demand for more sophisticated approaches to research," he explains.

"What's intriguing there is that they are well-educated and driven to advance," GfK's Lautman says. "Poland has some of the finest computer programmers in the world. Even though the population base is not huge (in Poland), they are very consumerist and as their GDP grows, they become wonderful consumers of our products."

The World Bank ranks Lithuania at 16th in the world in regard to ease of doing business as measured by a variety of factors, including access to credit, employing workers and registering property. Its Eastern European neighbors—Estonia (17), Latvia (24), Slovakia (36) and Romania (49)—all rank in the top 50.

Central America

In the previous three years, growth rates in Latin America surpassed the world average for the first time in a quarter-century but began to level off in 2006. By the end of 2006, the region's growth was expected to hit 4.6%, according to the United Nations Economic Commission for Latin America and the Caribbean, compared with 5.1% worldwide.

While it may be a bit early to determine the impact of the Central America-Dominican Republic-United States Free Trade Agreement (CAFTA-DR), the economies of the region have already turned the heads of market researchers.

"It's small population-wise, but there is definitely more research going on over there," Lautman says. Face-to-face and telephone research dominate Latin American marketing research, accounting for about two-thirds of all quantitative research alone. While small, the populations do wield spending power: Costa Rica's per capita gross national income, for example, exceeds that of Brazil, China and India; and Internet access (often a factor in determining spending power) has grown faster in this region than in any other region in the Americas.

Some analysts point to recent investment news in touting the benefit that CAFTA-DR brings to the region. "It is like a seal of approval, and I expect that the agreement will encourage existing investors to expand, local investors to team with foreign firms and new companies to take a closer look at the region—especially in consumer products, financial services and tourism," says Jerry Haar, professor of management and international business at Florida International University in Miami.

John Price, president of market research firm InfoAmericas based in Coral Gables, Fla., agrees: "You're going to see big plays from pharmaceuticals and supermarket chains in the next two to three years. They will then attract the consumer goods companies, then the big logistics companies like FedEx and UPS, who likely won't enter the market until 2008."

Researchers know that Central American consumers already are faithful buyers of American products. "More than any region in the world, a large portion of their population has at some point lived in the United States, so there is a deep familiarity with American brands," Price adds.

Sub-Saharan Africa

Researchers aren't fooling themselves into thinking that this region is the next Southeast Asia, but they don't deny the potential that its fledgling consumer market has. It may be the least developed of the four regions researchers mention as holding interest for them, but several indi-

See INTERNATIONAL / Page 28

Source of market research being commissioned in the following countries in 2005

Country	Domestic clients	International clients
Costa Rica	75%	25%
El Salvador	75%	25%
Guatemala	65%	35%
Honduras	50%	50%
Croatia	74%	26%
Czech Rep.	79%	21%
Hungary	80%	20%
Latvia	81%	19%
Lithuania	30%	70%
Poland	88%	12%
Romania	62%	38%
Slovak Rep.	74%	26%
Slovenia	75%	25%
Ukraine	50%	50%
Indonesia	70%	30%
Malaysia	85%	15%
Nicaragua	35%	65%
Singapore	65%	35%
Vietnam	70%	30%
Kenya	57%	43%

Source: ESOMAR Global Market Research 2005

INTERNATIONAL / From page 26

Africa's informal economy shows growth

vidual countries boast impressive statistics.

Continentwide, Egypt and South Africa have emerged as the highly attractive and sustainable markets, but much of sub-Saharan Africa has registered record economic growth, political reforms to eliminate corruption and a wave of privatization. The region's gross domestic product increased by 5.5% in 2005—more than twice as fast as it had grown in any individual year during the late 1990s.

"Consumerism is starting to take hold there," Lautman says.

The consumer packaged goods industry has yet to mature and gain a foothold, but it needs the proper infrastructure, says George Ayittey, president of Washington, D.C.-based think tank Free Africa Foundation and distinguished economist in residence at American University in Washington, D.C. "That kind of infrastructure has collapsed in many countries, but the positives outweigh the negatives: There is movement on reform. We're beginning to see some real effort being made in these countries to combat the scourge of corruption and mismanagement."

Although unemployment is widespread and Africa as a whole captures less than 3% of global foreign direct investment, the region offers attractive growth possibilities in its so-called informal economy—a private sector that operates below the radar of legally registered businesses, seeking to avoid corruption and legal red tape. The informal economies of sub-Saharan Africa make up 42% of the area's official GDP, more than any other similarly sized region in the world outside of Africa.

"It has huge potential. The majority of African people live in the informal and rural sectors. That's where you find the real people," says Ayittey of the often-overlooked segment of the population. "The modern sector in Africa is dysfunctional, so you get more bang for your dollar by investing in the informal sector. These people already have the skills (to operate a business). All they need is a little capital."

'The modern sector of Africa is dysfunctional, so you get more bang for your dollar by investing in the informal sector.'

While the World Bank ranks most sub-Saharan African economies as some of the world's most difficult places to do business, consider that China and India don't offer a highly favorable environment either, despite their status as the business world's current darlings. They rank 93 and 134, respectively.

Most of the world's FDI is directed at Egypt and South Africa, but less-developed sub-Saharan African countries such as Nigeria and Sudan (both oil-producing countries) also received measurable investment.

The success stories aren't limited to oil-producing states, though. Both Ethiopia and Uganda enjoyed solid growth in 2005 at 7% and 6%, respectively; and formerly war-torn locales such as Sierra Leone and Liberia are trying to rebuild. Add to that some of the continent's more experienced emerging economies such as modernized Kenya and investment-friendly Botswana, and the region looks highly attractive to multinationals with the foresight to establish themselves early, Ayittey argues.

It all points to a newfound approach among marketing researchers and clients alike who are abandoning the regional research model in favor of a holistic, cross-country methodology. "We have found that there are consumer wants and needs in every one of these countries that marketers can address," Lautman adds. "We're very excited about this world-view approach." ■