

Global competition: Combating emerging market multinationals

July 12 2012, by Bernie DeGroat



(Phys.org) -- Fast-growing companies in emerging markets pose a serious threat to established global firms in North America, Europe and Japan, but big corporations in the West have many advantages to help thwart the new competition, says a University of Michigan business professor.

"Given sufficient time, emerging multinational companies have the potential to do damage," said Rajeev Batra, the Kresge Professor of Marketing at the U-M Ross School of Business. "Their brands are growing in trust and confidence, especially in the markets poised for highest growth. [Emerging market](#) multinationals have an opportunity to take a huge chunk of global share.

"But traditional multinational companies can still do things that emerging competitors can't. They can still counter the new emerging companies, but they need to figure it out quickly."

Batra and INSEAD professor Amitava Chattopadhyay, with professor Aysegul Ozsomer of Koc University in Turkey, offer suggestions that play to the strengths of big traditional companies in their new book, "The New Emerging Market Multinationals."

Traditional [multinational corporations](#) have brands that still are considered leaders in technology and quality, and have an "aspirational" quality some of the newer brands haven't yet caught up to, Batra says.

He suggests a "shock and awe" marketing strategy around these brands.

"They can sponsor global events like the Olympics and the World Cup," Batra said. "They can have major entertainment, fashion and [sports stars](#) endorse their products."

On the strategy side, established players should consider a flexible brand architecture that relies less on standard global offerings and more on sub-brands for emerging markets, he says. Those could leverage the appeal of the global brand yet meet local needs and wants.

Batra warns that one strategy employed in the past no longer will work—ignoring emerging market competitors.

"It's not about selling stuff at lower prices or being the supplier of private-label or original-equipment companies in the West anymore," Batra said. "These companies are learning to master design, R&D and focused innovation. As such, they are getting better at building brands and marketing overseas. They have the ambition, vision and confidence to be global players. The confluence of these new skills and capabilities

is a double-barreled threat."

Batra and colleagues provide a critical snapshot of modern global business at a time when much of the world's future growth is expected to come from emerging countries.

More information: Information:

www.amazon.com/The-New-Emerging-Multinationals/dp/0071782893

Provided by University of Michigan

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