Capturing Middle-of-the-Pyramid (MOP) in Emerging Markets: 
Consumer Insights and Glocalized Marketing Strategies 
(David K. Tse, Hong Kong University) 
May 15th, 2012

Introduction

This project investigates how MNCs best capture the growing middle-of-pyramid (MOP) segments in emerging markets (EMs) through the glocalization lens. Strategic direction towards MOP is critical for MNCs for two reasons. First, challenged by the expected weakening of developed economies, MOP in EMs provides new revenue and profit growth that MNCs cannot afford to miss. Firm’s capability to capture MOPs will likely reshuffle market leadership positions in changing economic times. Second, EM governments (China, India, Russia, other Asian countries) recognize MOP’s contribution. They are designing policies to ensure MOPs continue contribute to their economic growth, treating MOP consumption as a new growth strategy complementary to their export-driven model. The project delineates the origin of MOPs and their consumption desire and goals as insights to prescribe what marketing strategies (e.g., products and branding) can best capture them.

Up till now, most MNCs adopt top-slicing approach and focus on top-tier segments in EMs. In comparison, MOPs are passively attended to with little tailor-made marketing strategies. Yet robust economic growth in EMs provides MOPs with rising purchasing power, turning MOPs to reachable, profitable and high growth markets. As EM Governments favor MOPs as their growth engine, socio-economic fabrics of MOP will continue be maintained, implying that MOPs are sustainable market opportunities in EMs. MOPs thus offer win-win-win situation for MNCs, EM governments and MOP consumers.

Tenets: Aspirations, Needs and Life Goals

MOP will likely share similar economic passes and life goals with those from other EMs. Yet they differ from TOP and BOP (top and bottom of pyramid) segments as well as MOPs in developed markets. For MOP who moved up from BOP are aspired to express their new “earned” social status, they will be attracted to hedonic purchases that are social visible (“I want everything American consumers have”). In contrast, MOP with stable and growing economic means will look to a complete upgrade of their consumption life (confidently reconstructing their consumption life – safety products, better health services, education for next generation).

These consumption needs are not be met by current strategies MNCs improvise. MOP favors glocalized products (TOP favor globally standardized products and BOP favor naked products that meet budget constraints), suggesting local market innovations are needed (by 2008, over 1200 MNCs have set up R&D units in China).

This project will provide insights that act as catalysts for MNCs to strategically augment their resources in EMs. These strategic moves are justified because of revenue and profit contribution from MOPs in the short and long-run. In addition, global market position may also be on stake.
**Key Research Questions**

This project will study ways in which MNCs firms can build and grow MOP in populous EMs. The project focuses on creative strategies MNCs design that respond to economic reality and life goals of MOP. It revolves around three research questions:

1. **What are the key consumption values MOP consumers seek in their goods/services purchase decision?** From a MOP consumers’ perspective, what are their economic footprints (by rising from BOP or by stabilizing income) and how these shape their consumption values in their daily needs (e.g., product safety, quality health services), hedonic consumption (name brand products, luxury products, socially visible purchases) and life goals (e.g., education, second generation dreams).

2. **How MNCs can effectively design product offering (glocalized products), innovation (new products from local R&D teams), branding/positioning (glocalized approach in positioning) and distribution strategies to capture the MOPs?**

3. **How MOP consumption needs are fulfilled by foreign and local brands and what shortfall (gaps) in product, branding and positioning are there?** How should firms (MNCs and local) do to adjust their strategies to address these gaps?

This project will describe the strategic orientation and portfolio for MNCs in capturing MOP. The report shall highlight: (1) strategic orientations (glocalization versus globalization and localization), (2) innovation and product strategies; (3) branding/positioning and distribution strategies.

**Theoretical Frameworks:**


**Deliverables**

The primary output from this project will be a monograph:

- MOP Consumer Insights in BRIC: A Consumer Perspective
- The monograph will integrate four ‘Consumer Aspirations, Needs and Desires” mini-reports—one mini-report for each of the emerging markets—and generate a consolidated report which compares/contrasts salient life goals, daily consumption needs and aspirations in MOP markets.

Other deliverables (e.g., oral presentations and/or Harvard Business Review type article) could be targeted to relevant practitioner audiences. It is expected that this project may also generate a comprehensive technical report.

**Managerial Outcomes**

This project would facilitate understanding of what and how MNCs should do to effectively capture MOP segments in EMs. This may lead firms to formulate their strategic direction and portfolio to help their competitive position in EMs. This project shall provide firms with a strategic blueprint for action. In addition, a detailed blueprint for each emerging markets would provide insights for firms at the country-level.
Method & Design

This project will involve a field-based, inductive analysis of successful as well as unsuccessful domestic and MNCs involved in MOP through a 4 country consumer survey.

The survey focuses on the strategy drivers (various strategies – product, innovation, positioning, branding and distribution, their levels of glocalization and how they differ from the developed economies) and the outcome variables (market share, consumer preference towards the firm and their brand loyalty) through the consumers’ view.

This study would be conducted in the MOP markets in emerging markets: (1) India, (2) China, (3) Malaysia, and (4) South Africa. In each of these countries, this study will cover the 3 major consumer products - digital products (lap tops, cell phones), personal hygiene (cosmetics, shampoo) and social status categories (sports shoes, iPhone/iPads and credit cards).

In each BRIC country, the study will take the form of a panel of 400 consumers. This will be achieved through Millward Brown’s national representative ePanels in each of the sample countries.

Schedule

The following schedule does not include the time needed for internal reviews and/or revisions.

Planning for Cross-country Survey: August and September, 2012
Questionnaire Pretests: September and October, 2012
Survey: November and December, 2012
Data analysis & Report writing: January - April, 2013

Team

David Tse (Professor of Marketing, Hong Kong University)
Peking Tan (Millward Brown, Research Director)
Two PhD students, Hong Kong University