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Customer Relationship Management

Blurring borders

By Robert E. Wollan and Tzeh Chyi Chan

Despite their diversity, the world's consumers also have much in common. Segmenting them by similar motives, attitudes and behaviors—across geographies—can help companies overcome the complexities that derail so many attempts to achieve profitable global growth.

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It's become something of a mantra among some of the world's biggest corporations: To grow out of the downturn and beyond, tap into the tantalizing prospects of emerging markets.

Easier said, perhaps, than done. Accenture's 2010 Global Consumer Research clearly shows that reaching and retaining consumers in emerging economies can be challenging indeed. For example, our research showed that the service expectations of these hotly pursued emerging-market consumers have increased significantly more than those of consumers in mature markets—by anywhere from 30 percent to 50 percent over the past year. And they switch vendors almost twice as frequently as mature-market consumers.

Yet the same research also suggests that the concerns of consumers worldwide are converging around a few common themes and behaviors. Trust is the principal driver of consumer loyalty across all markets, for example. Both emerging- and mature-market consumers expect a multichannel shopping experience. And both consider word of mouth, including social networking, the most important source of reliable product and service information.

So what should companies seeking success in emerging markets make of this apparent paradox—striking similarities with mature markets on the one hand, yet significant differences on the other?

Most companies have sidestepped the question by choosing between two rather simplistic models.

Sometimes they try to achieve relevance and growth in emerging markets via a local franchise model. They replicate the standard corporate approach for such key functions as marketing, sales or service and

then tailor the approach to the requirements of each market—only to discover that continually reinventing these functions in the name of localization vastly overcomplicates their operating model. Or they simplify the operating model by merely exporting consumer strategies and experiences that work at home—only to find that successful domestic strategies don't always travel well into emerging markets.

Case in point: A leading US retailer, renowned in mature markets for its customer-centric business model, found that the strategy underpinning its success—tailoring the operating model, from procurement through retail operations, to target the preferences and behaviors of particular customer segments—resulted in products too expensive for acutely price-conscious Chinese shoppers. Similarly, many of the most aggressive global banking expansion programs that emerged over the past decade stalled because companies underestimated the true operational cost and complexity required to attract the enormous diversity of emerging-market financial services customers.

There is, however, a better way to reach and retain not just the emerging-market customer but also the full spectrum of today's global consumers—an approach that successfully leverages their similarities while respecting their differences. By way of example, consider Facebook: with its more than 750 million users, it is effectively the world's third-largest country. If we applied this new global customer portfolio approach to Facebook, its members would not be defined by their geography but rather as a single global portfolio, consisting of borderless “tribes” united by a specific subset of human needs and interests.

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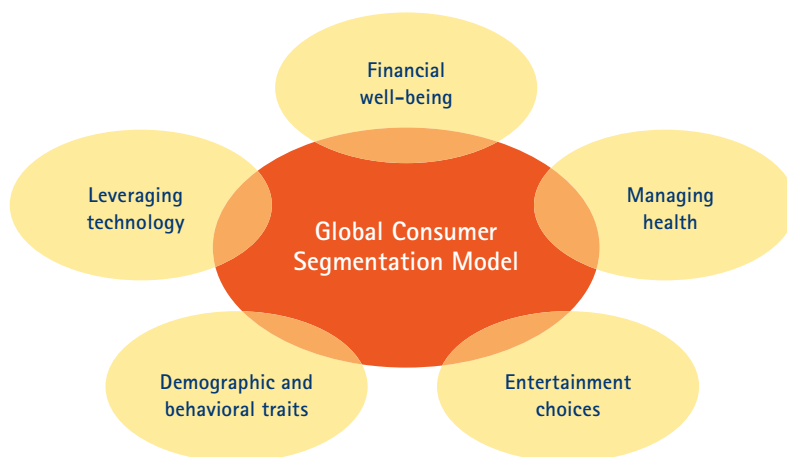
A multi-dimensional approach

The world's consumers might be dazzlingly diverse, but they also share concerns and interests that transcend geography (see story). And the Accenture Global Consumer Segmentation Model is designed to help our clients better understand the behaviors, attitudes and motives that unite them.

Based on a combination of external research and our own experiences and insights, the model has identified 15 strategic, cross-regional consumer segments that are critical drivers of growth in a multi-polar world. This new approach uses a set of defining behaviors—such as financial well-being, health management, entertainment consumption and technology adoption—to divide people into groups (see chart, below). Each segment is defined as much by behaviors, attitudes and motives as by geography.

Nine of the 15 segments are specific to emerging markets. In Latin America, for example, Eco-entrant Accelerators—formerly marginal, rural consumers who now live largely in cities and can finally afford to buy branded goods, thanks to steadily increasing disposable incomes—can be found from Caracas in the north to Santiago in the south.

In Asia, meanwhile, Trend Seekers, who have a yearning for the latest technology, fashion and entertainment, despite their limited incomes, are as common in Beijing as they are in Bangalore. And Family Enrichers—mature adults in search of the products and experiences they missed out on in their youth—exert a powerful influence on their families' purchasing choices just about everywhere.



Financial well-being

- Financial self-direction
- Risk profile
- Selection behavior
- Key evaluation parameters
- Income level
- Availability of time/effort
- Technology optimism

Managing health

- Medical needs
- Attitude toward health
- Treatment preferences
- Financial confidence
- Health self-direction
- Value add features

Entertainment choices

- Behavioral loyalty
- Income level
- Price sensitivity
- Functionality
- Motive
- Involvement
- Leisure time
- Enablement level

Leveraging technology

- Technology dependence
- Technology attitude
- Tech savviness
- Primary motivation
- Leisure time
- Price sensitivity
- Brand affinity

Demographic and behavioral traits

- Purchase decision
- Category involvement
- Income level
- Life stage
- Perception
- Attitudes
- Needs

Source: Accenture analysis

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To this end, some leading companies are using conventional analytics to identify those customer segments within a single global portfolio that exhibit common characteristics, regardless of their location. Procter & Gamble, for example, has recognized that rural consumers in India share needs with rural consumers in China and Mexico. In much the same way, the residents of Mumbai have more in common as consumers with their urban counterparts in Shanghai, Tokyo and New York than they do with Indian farmers. And in Sub-Saharan Africa, five consumer segments—Basic Survivors, Working Families, Rising Strivers, Cosmopolitan Professionals and the Affluent—behave similarly right across the region’s core markets (see sidebar, page 6).

Leading companies then use an unconventional strategic segmentation approach to execution, which identifies the region best suited to act as a proxy for all a particular segment of its customer base (see sidebar, page 3).

Such a global segmentation approach enables companies to target more consumers more effectively by creating shared marketing messages, comparable selling models and similar treatments or customer touchpoints for similar markets around the world. At the same time, they can personalize their offerings for local markets.

Witness Brazil’s Itaú Unibanco, one of the largest banks in Latin America, which has leveraged insights derived from global segmentation to personalize the customer experience and improve service across its almost 5,000 branches. The bank’s recent advertising campaign, which features sundry professionals proclaiming their identity as “global” Latin Americans, targets Brazil’s burgeon-

ing middle classes—both at home and abroad. An aggressive acquisition strategy and a focus on retail credit—the bank bought a 49 percent stake in the local finance arm of Carrefour, the French retail giant, in April 2011, for example—has boosted Itaú Unibanco’s profile with lower-income Brazilians as well.

Or take Volkswagen’s Audi brand. The carmaker has successfully capitalized on global consumer needs and wants, with products targeted to various consumer segments, including Western Europe to India. Audi identified one particular premium target segment along the way: executives who are chauffeured and who place a high value on passenger comfort. In China, Audi addressed this buyer value by introducing a long-wheelbase version of its A4 and A6 cars. In this case and across all its markets, the company consistently strives to deliver high quality and innovation globally, but it also tailors its offerings and propositions to local needs and contexts.

Meanwhile, insights derived from deep-dive customer segmentation have driven the successful marketing and sales effort that France Telecom’s Orange has launched in Africa and the Middle East (see sidebar, page 7).

Utilizing common value propositions, products and services, marketing campaigns and promotions across geographies also significantly accelerates and amplifies the value of consumer innovation on a global scale. Consider, for example, how a leading US consumer goods company tailored products that were successful in Mexico City to the needs of similar customer segments in Hispanic markets across the US Southwest—a strategy that also simplified the marketing effort in both countries.

Or consider Ford Motor Co.’s strategy of designing the driver, regardless of

For further reading

"Up close and personal," *Outlook* 2011, No. 3

"Inclusive growth: Closing the commitment gap," *Outlook* 2011, No. 3

"African financial services come of age," *Outlook* 2011, No. 2

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where the driver lives, before inventing the car—identifying archetypical consumers with specific vehicle preferences. This has helped the auto-maker develop innovative models that align with the desires and dreams of drivers from Montreal to Moscow.

And the Czech financial and investment group PPF has seized the opportunity presented by the Chinese government's decision to relax strict regulation of the consumer loan sector and launched Home

Credit Consumer Finance in December 2010—the first foreign-owned consumer finance company authorized to extend credit in China.

The company is leveraging consumer insights and proven go-to-market approaches derived from its business in Central and Eastern Europe, where it is a market leader, to serve similarly low-income yet aspirational Chinese shoppers eager to buy durable goods like washing machines and mobile phones.

The world's consumers are far from homogeneous. But by identifying consumer segments with similar traits, while at the same time recognizing and respecting the regional differences defined by unique economic and social circumstances, companies stand a much better chance of reaching these segments successfully, boosting innovation and driving profitable growth—in all markets.

Unlocking the potential of the African consumer

By Grant Hatch, Michelle van Zyl and Pieter J. Becker

For companies looking for growth via emerging markets, Sub-Saharan Africa looms large. The region's consumers are largely young, increasingly urban and have rising incomes. Indeed, with GDP growth in Africa as a whole now outpacing the continent's meteoric rise in population, the Sub-Saharan Africa market is expected to rise to nearly \$1 trillion by 2020.

To be sure, Africa's consumer market also has plenty of challenges. Despite an increasingly stable and less restrictive business environment, most of the region's infrastructure remains woefully inadequate. At least 60 percent of Africans still live in rural areas, many of them remote. And a widespread informal economy fueled by cash transactions makes it difficult for companies to uncover the consumer insights that have helped them penetrate other new markets (see story).

Accenture research shows that nine Sub-Saharan countries—Kenya, Ethiopia and Uganda in the east; Angola, Zambia and South Africa in the south; and Senegal, Ghana and Nigeria in the west—will account for nearly three-quarters of total consumer spending by 2020. Moreover, within these markets, a thorough understanding of five core consumer segments—Basic Survivors,

Working Families, Rising Strivers, Cosmopolitan Professionals and the Affluent—is the key to profitable growth.

By recognizing the upwardly mobile aspirations of all Africans, and the poorest in particular, leading companies are successfully tapping into the African opportunity, crafting compelling offerings that meet the rapidly emerging needs of the continent's rich diversity of consumers.

Forming brand allegiances

Even Basic Survivors—who turn chiefly to local, informal vendors in both cities and rural areas in their struggle to meet daily needs—represent a huge opportunity, if only because they also make up the largest consumer segment. It's a similar story with the Working Families segment, whose members account for between 20 percent and 30 percent of the region's total population. Now, moreover, is the time to form these consumers' brand allegiances.

Unilever, for example, has adapted several of its products to

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Unlocking the potential of the African consumer

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the needs of Basic Survivors by reducing the container sizes of detergent. The company, which has registered double-digit growth in the region over the past decade, has managed to protect its margins by selling to low-income consumers in high volumes. What's more, by collaborating with local wholesalers, Unilever has developed deep consumer insights.

Choosing partners with strong community links has also helped companies overcome the considerable challenges of sourcing, procurement and promotion in Africa. Dufil Prima Group, the largest manufacturer of instant noodles in Nigeria, for instance, has captured more than 70 percent of the Nigerian instant noodle market with its Indomie brand by investing in modern local manufacturing facilities and using locally sourced raw materials.

SABMiller has localized its supply chain, working with the area's farmers to obtain the sorghum and cassava used to brew local beer more cost effectively. And East African Breweries Limited has managed to turn its flagship Tusker beer brand into a favorite of young adults who lack their own TV sets by setting up "viewing bars," where they can watch the company-sponsored Tusker Project Fame talent show.

Rising Strivers, who represent an estimated 10 percent to 16 percent of Sub-Saharan Africa's population, straddle the divide between the region's past and future as a consumer market. These consumers can earn more than twice the income of Working Families and have a surplus to spend on discretionary items such as cigarettes, jeans and an occasional bottle of perfume or cologne. A few may join the ranks of the Cosmopolitan Professionals and Affluent consumers, who today represent less than 5 percent of the population.

Cosmopolitan Professionals typically have worked or studied abroad and have a higher awareness than other Africans of global brands. They spend money on purchases that reinforce their professional image—clothing (often bought abroad), hair-care products and footwear—are increasingly concerned with the environmental reputations of the companies they buy from, and often support less fortunate family members with cash remittances and occasional purchases.

Africa's Affluent consumers have much in common with Cosmopolitan Professionals—though their incomes, of course, are substantially higher. And they have a pronounced preference for luxury global brands.

Many Rising Strivers already have bank accounts, and they are among the half of all Africans who use mobile phones. Nonetheless, these consumers still pay primarily in cash and are as inclined to buy from self-employed vendors—of which there are 100,000 in the Kenyan capital Nairobi alone—as from supermarkets. And leading financial services companies have devised creative ways of reaching this customer segment.

Local agents are among the keys to the success of MTN Group, the continent's leading telecommunications provider. The South African company has set up kiosks in rural areas, and has given agents motorbikes to reach the remotest places. Perhaps most crucial, the company offers numerous airtime options, including several "pay as you go" plans, to the many Africans who, despite having low and unpredictable incomes, represent a critical point of entry for any company seeking success in Africa.

Orange: Common solutions for common needs

Africa and the Middle East loom large in the ambitions of France Telecom's Orange brand, one of the world's leading mobile network operators and Internet service providers. Already present in more than 20 of the region's countries, Orange aims to double its revenues in emerging countries—particularly in Africa and the Middle East—by 2015.

The telecommunications powerhouse recognizes that the key to reaching a predominantly youthful, overwhelmingly rural and

nighly aspirational population of more than 1 billion is a global portfolio approach to customer segmentation (see story).

Thanks to a thorough understanding of strategic segments that reach across its African and Middle Eastern markets, Orange has learned, for example, that regardless of nationality, most of the region's consumers share a need for telephone

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Orange: Common solutions for common needs

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services that circumvent the prevalence of poverty, illiteracy and distance.

Orange's response: innovations like Bonus Zone, which can reduce the cost of calls made when network traffic is low by as much as 99 percent; a Voice SMS service; and Community Phone, a complete kit for setting up and selling communication time to entire villages.

Regional innovation centers in Cairo, Amman and Abidjan ensure that the company's deep consumer insights result in truly customized products and services. StarAfrica.com brings a wealth of news, sports, education and music content to millions of information-hungry Africans, for instance, as well as enabling blogs and sponsoring competitions that support young talent. Meanwhile, Orange Money, which the company offers in partnership with a bank, allows subscribers without bank accounts to open payment accounts connected with a mobile phone number and effect transactions via the handset.

In addition, Orange has launched two initiatives that harness the power of mobile networks to improve the region's healthcare—a core concern among consumers who value social responsibility across geographies.

For example, a partnership with Text to Change, a Dutch NGO, uses SMS technology to raise awareness of the widespread child exploitation in Cameroon.

A parallel partnership with mPedigree, a Ghana-based nonprofit that advocates the development of strategies to combat drug counterfeiting, aims to develop an SMS-based system to verify the authenticity of pharmaceuticals. Consumers can submit, at no cost, a unique verification code, hidden behind a scratch-off surface layer on each packet or bottle of medicine, which is checked against a database managed in Europe. The service began operations in Kenya in May 2011, but Orange will eventually provide telecom support for it across all of the company's African markets.

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