

**NEVIANA KRASTEVA**Sofia University "St. Kliment Ohridski", Bulgaria, [neviaanak@bsconsult.bg](mailto:neviaanak@bsconsult.bg)**CONTEMPORARY ECONOMIC AND SOCIAL TRENDS AND THEIR  
IMPACT ON MARKETING****Abstract:**

The focus of this study is the impact that the recent economic and social tendencies have upon the marketing of firms. The ways in which the marketing policies and practices are influenced by the dynamic changes in the physical space, demographics, behavioral models and economic growth will be examined.

The scarcity of resources leads not only to a search of new sources and surrogate technologies, but also to a struggle on the firm level to lower the operational costs without diminishing the value of their products to the consumers. The heightened ecological concerns and stricter regulations necessitate the presence of a "green idea" in most products not as an extra, but as an expected characteristic for which no additional money is charged. The changes in the demographic structure and the increase in percentage of older people, especially in the developed world, calls for marketing to be targeting the solvent parts of the population; these are no longer just the traditional group aged 18-34, but the generation of the baby-boomers which preceded them. The increased frequency of divorces also modifies the needs of the consumers and the general client profile. The increased presence of the digital and on-line worlds in the daily life of people also alters the consumer behavior; the presence and active marketing use of social networks and Internet resources is no longer a choice, but a must for companies. The global shifts of the centers of economic power towards the modernistic markets of China, India, Brazil and Russia present new problems about market presence and consumer satisfaction of well-known Euro-American brands and companies in those countries. The reverse trend is also present - more and more firms from emerging economies are highly successful in promoting their products in the markets of the developed world.

Last but not least, the technological changes, the adjustment in the character of small retailers, the rise of powerful distributors with great sway in negotiations and the momentum that the digitalization of commerce has all have deep impact on the way marketing programs and channels are structured. The recognition and adequate addressing of all of these trends is a key challenge before businesses across the world in the 21st century.

**Keywords:**

Contemporary marketing, Physical environment, Resource scarcity, Behavioral models, Demographic profile, Social networks, Change in retail

**JEL Classification:** M31

## Introduction

The fundamentals of marketing have been coined in the 50-ties of 20<sup>th</sup> century when the middle class of the US formed the backbone of the economy and the mass marketed products shaped the future of the business. 60 years later fundamentals stay the same (e.g. the unbeatable 4 P's) but the truth is that our society undergoes tremendous changes in terms of:

- Physical environment
- Economic changes
- Demographic profile
- Behavioral models

All these influence greatly our lives but also our work as marketers. Among the main trends shaping our lives as marketers are:

- Changes in our environment
  - Resources scarcity
  - Environmental concerns
- Changes in demographic structures
  - Aging population
  - Household vs. family
- Behavioral changes
  - Media usage
  - Social networking
- Economic changes
  - Power shifting East
  - Changes in retail trade

In this research we shall study them consequently and will try to show the tasks and the marketing activities results for the companies which are rising from the factors of the environment.<sup>1</sup>

## Limited supply and scarcity of natural resources

The limited supply of natural resources is reflected in the prices of all derivative products, as well as the different marketing possibilities. The access to water, so vital and necessary for the life of man, is a problem for one out of every three people on our planet; the issue is only expected to get worse as population and industrialization keep increasing at an exponential rate. According to the Food and Agriculture Organization (FAO), by 2025, more than 2 billion people will be living in regions with little to none potable water availability.

At least 5 other resources are at the critical level of exploitation and their supply will be greatly diminished in the near future. Amongst these, most important is oil; the

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<sup>1</sup> Some of the ideas in the article were inspired by the author's meeting with Ilina Petrova from Fycosota Syntez Ltd.

current estimates about the total recoverable oil reserves are for about 200 million tones, which would last mankind for about 50 years at the current rate of consumption. Natural gas reserves would last for 60 years. Another element without which the processing industry would not be able to function is phosphorus; the known sources in the USA, China and Morocco will be exhausted in the next century and it is of prime importance for either a surrogate technology or for new deposits to be developed.

The coal reserves of the planet are expected to last for the next two centuries at the current rate of consumption. Some rare earth elements, like Scandium and Terbium, for which Chinese mines are the main supplier may have restrictions on export attached to them by the government in the near future.

Hence, we can expect prices of raw materials to rise disproportionately to the inflation rates of consumer goods. This in turn will present the consumers with unreasonably high prices for derivative products, which most of them may be unwilling to pay.

### **What does it mean for marketers?**

On your next marketing job you will most likely be asked not what additional functions you will be able to put in the product and not what are the new needs of the consumer you can first create and then satisfy but how you can deliver the same benefits in a cheaper product (unless you work in services).

Especially urgent is the problem with scarcity of fossil fuels, which inevitably have part in the costs of production and transportation.

The problems with supply and availability of fossil fuels has greatly stimulated the research into biofuels, which can be classified in two groups:

- Conventional biofuels, derived from sugarcane, grain cultures and certain vegetables; the plants are solely used for the production of fuel, and hence these are labeled “first-generation” biofuels
- Biofuels made from general biomass, also known as “second-generation” biofuels.

The most common way of producing second-generation biofuels is through the application of certain enzymes to waste of plant origin (the enzymes act on the cellulose). The manufacture of these enzymes is an oligopoly shared by a few companies worldwide, but recently, a cheaper method, based on a special acid, was developed in a joint venture between University of Southern Denmark and the University of Baghdad at Al Muthana. It is assumed that this development will drop the processing prices, attract new investors and make biofuels less expensive and hence more attractive.

Unlike second-generation biofuels, those produced in the “first-generation” essentially utilize food sources for the production of fuel. This raises a lot of questions, regarding the “food vs fuel” dilemma, especially in developing countries like Brazil. The importance of the Danish-Iraqi method is only increased by this conflict, as its inputs are the waste from plant-food production and other agricultural activities.

Another way to save both the non-renewable resources and the environment is by creating energy efficient consumer products, such as light bulbs. A significant efficiency gains can be achieved by LED (light emitting diode) lighting. The typical LED bulb consumes less than 20% of a standard incandescent bulb. Despite somewhat higher initial prices, that is an enormous economic and resource efficiency gain. Meanwhile, technologies continue to improve while prices fall. A year or two ago, LEDs typically sold for over \$20. Then in 2013, prices fell below \$13, with Cree offering a 60-watt equivalent LED (using only 9.5 watts) for \$12.97.<sup>2</sup>

In October 2013, Walmart reduced the price of the LED bulbs below the critical threshold of \$10/piece, while at the same time continuing to sell the whole product range of all the high-efficiency lighting manufacturers. Some simple math will reveal that if every household in the USA gets at least one LED bulb, the value of electricity conserved will be approximately \$700 million/year; even if a fraction of that amount gets redirected to the creation of new workplaces and a more efficient society, the lives of many people will be improved. In addition to the fact that LED bulbs consume less energy to produce the same quality of lighting, these bulbs also expire less frequently than the normal neon or incandescent bulbs. It is evident that the efficiency and durability of LED bulbs reduces substantially other costs and waste of resources down the chain – the costs of manufacture, transportation and maintenance are all diminished, even if they are not totally eliminated.

### Environmental concerns

The basic environmental concerns are about **pollution**, **waste** and **sustainability**. To evaluate the importance of each one of those, we ask what the consumers declare (stance) and what they act upon (reality).

Stance:

- They care about the environment;
- Between 15% (P&G) and 20% (Henkel) are prepared to pay a price premium or sacrifice efficiency to buy eco products;
- 86% use eco products – P&G (81% Henkel);
- They wash at low temperature.

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<sup>2</sup> Kelly-Detwiler, P. (2013, November 5). How Walmart Brought Low-Cost LEDs To The Mass Market. *Forbes*. Retrieved from <http://www.forbes.com/sites/peterdetwiler/2013/11/05/how-walmart-brought-low-cost-leds-to-the-mass-market/>

**Reality:**

- They do not pay more for eco products;
- They do not accept lower quality;
- Only very few people buy eco products – very small market shares of eco;
- They think green is normal – it should come at no additional cost but as benefit in all products in all price segments;
- They think that “green claims” are fake;
- They react adversely if companies use “green” to ask them for more money.
- They dislike being told to care/act responsibly;
- They think that green does not work and is expensive.
- They would only buy green if they get some extra benefit too;
- They expect performance improving and price cut.

The above statistics indicate that consumers and business customers are increasingly concerned about the environment, but the change in their consumer behavior is lagging dominantly because of an inherent distrust towards broad green claims and slogans. That means there is a growing market for sustainable and socially responsible products and services. The challenge for green marketing is to make it easy for customers to become green themselves, because despite high levels of stated interest, the majority of consumers purchase green products only when they are offered at a competitive price and with no degradation of quality or convenience. Getting commuters out of their single passenger cars and into mass transit or carpooling has been similarly intractable (except in extreme situations, like the USA during WWII). Only few activities beyond recycling have shown a close connection between general environmental attitudes and individual behaviors. In other words, when other factors such as quality, price, performance, and availability are **equal**, environmental considerations may tip the balance in favor of a green product.

**What does it mean for young marketers?**

You will be asked to add environmental benefits to your products:

- at no additional cost (much better if you decrease the cost of the product);

One of the most critical aspects of “green marketing” is determining the price. For instance, the high prices of certain organic foods lead the consumers to question whether a price premium has to be paid for “natural food.” After all, is it not reasonable to expect that all food is healthy and natural? Most consumers would be willing to pay higher prices if they received additional benefits: expanded functionality, better design, visual attractiveness or new tastes. However, the sheer compliance of the product with common-sense ecological and health norms is not a sufficient justification for a price increase. Of course, in a more-long term view, the ecologically-clean products can be viewed as more efficient, especially if the hidden

benefits – increased life span, avoiding medical care – are emphasized; the marketing challenge is for this to be done in a way which subverts the aversion of the customer to pay more and at the same time attracts him to the product.

- at no sacrifice of product performance;

“Green products” are expected to function better than their non-green alternatives. They must do the job that they are meant to do, regardless of whether the consumer completely buys into the environmental ideology or not. It is the job of Marketing to supply the value that the consumer desires in accordance with the market elements. For example, sell the health benefits to the people who are health-conscious, but make sure to not just label your product as “green” or “organic.”

- credible enough for consumers to buy;

Trust is key in “green” marketing. The regulations and requirements for preserving the environment should not be underestimated, but their impact on marketing should not be overestimated either. No unrealistic hopes in the consumer should be nurtured. The faith in the eco-direction of “green” marketing is only achieved through the use of stable and persistent marketing and communication tools and practices. Moreover, the consumer has to be taught through messages, which connect the eco-product to the desired effects on the consumer’s life e.g. “food without pesticides is healthy,” “energy efficiency is money efficient,” “solar power is convenient” and so on. “Green” products should provide solutions to problems that the client already has, but might not think about e.g. “rechargeable AA batteries hold charge for longer” and “LED bulbs have to be changed less often.” One way to do this is to create engaging and educating publications in the social networks and media through which the consumer is challenged to think through all the economies which he is yet to implement.

According to Forrester Research, 84% of the specialists, who create strategies for consumer products say that they are concerned about the environment – this is a trend taking hold under the influence of the retail chains for modern commerce to reduce the amount of packaging through innovation and create toxic-free products which are energy efficient. All of this is done without an increase in the price, but becomes a staple in the marketing campaigns of the chains e.g. Best Buy and electronics recycling. “Green” is now an expectation, not a pay-for-surprise.

## **Changes in demographic structures**

### **Aging population**

The world is increasingly aging:

- In 2010 Japan has over 20% of its population aged 65+;

- By 2030 most of the European countries and Canada will have 20% or more residents of 65 or older;
- By 2050 this will be true for most of the developed world.

Might it be the case that marketing budgets, just like youth itself if we can paraphrase George Bernard Shaw, are wasted on the young?

More and more firms realize the necessity to target the 50-60 year old through their advertising who are still both physically and as customers. The call of many researchers is for money to be invested in communications in the markets of the solvent population, which in the modern times is at odds with the traditional view of targeting the 18-34 year old range. The baby-boomers generation, born between 1946 and 1964 are energetic and mostly still employed. This creates an interesting dissonance, as most of the people on the marketing teams are significantly younger than their target audience – amongst the professional advertisers, about 40% are under 35 years old, while in general, the same age group represent less than 30% of the working population. In contrast, those above 50 are 21% of the working force in the USA, but only 15% of those doing marketing and advertising.

The major aspects of aging which affect marketing are:

- Forgetting – older people have difficulty understanding and remembering things;
- Slowness – the movements of elderly people slow down and become less precise – they have difficulty moving and handling smaller objects;
- Visual and hearing impairment – most elderly people have problems seeing (especially small print) and hearing.

### **What does it mean for marketers?**

Unlike previous trends this is still to a large extent unmet.

- Target groups have to change – the standard target group of “active people” 18 – 49 is becoming increasingly outdated.

The older customers are a caring crowd. They are more experienced and rational and less likely to be influenced by trends and fashion. They have more time on their hands and are likely to become loyal customers if they are approached in the appropriate way. Of course, the group of people above the age of 50-55 is not a homogeneous one; it is segmented into groups based on education, culture, employment and health status. It is clear that a healthy 65 year old government employee has different needs than his unemployed and sick twin brother. Yet, a big mistake which a marketing team can commit is to completely overlook this growing

market. It is wrong to assume that older people do not have the potential to use modern technology. On the contrary, this is the fastest growing group of Internet users. With time, their habits have changed in accord with the trends – in the USA, people over 65 spend more than \$7 billion annually.

- Products have to change and become:
  - Easy to understand;
  - Easy to use;
  - Safe and sound;
  - User-friendly at all contact points: 1) TV 2) choice of product in the supermarket 3) transferring to home 4) usage 5) waste disposal/refill.

Clearly, when the target market has a sizable population of elderly people, it is important to take into account how the functionality and the safety of the product are tailored to meet their needs, as well as what kind of customer support has to be provided to them so they can use new technologies.

In his book “Ageless Marketing” David Wolfe describes and classifies customers in one of three groups, according to the experiences they have had; these types transition into each other as time progresses:

1. First type – the customer has the desire to own and buy; he affirms who he is or who he would like to be through what he consumes.
2. Second type – the customer has the desire to consume services; he has experience gained through the years and has (relative to the other two types) the highest income.
3. Third type – the customer has experience and can afford most of what you are offering, but wants to go beyond the ordinary and try new things.

According to Wolfe, to be elderly is not a matter of age, but of social needs, personal expectations and integration with the younger generation.

- Advertising will have to change:
  - More simple messages & easy to grasp concepts;

The messages for the older customers have to be direct. At the same time, however, they have more time and customer support has to be prepared to answer detailed questions in a straightforward manner. Brands have to be able to spin stories, which this age group can analyze and be intrigued to the extent to which they want to know more.

## **Divorce**



Close to 50% of the marriages in the economically developed countries are likely to end with a divorce. Hence, growing segments of the market are both halves of the dissolved marriages. According to a study by Bridget Brennan, divorced mothers often have to:

- Balance between a former and a current partner;
- Handle their own children as well as any step-children;
- Organize a complicated schedule of visits with the other parent, especially when vacation time is concerned;
- Arrange their homes in such a way that there is space for all the children.

The means to accommodate to those needs are numerous, ranging from magazines targeting divorced parents to deep discounts for them in some stores.

### **What does it mean for marketers?**

The traditional view of target audiences will change in the nearest future as more people start being single for longer periods of their lives.

Divorce often changes the income bracket of one or both former partners. There is a problem if child support checks do not arrive on time, and there are often cases in which the child support sums cannot meet the needs of the child as measured in during-the-marriage amounts. It is also possible for these payments to significantly dent the income of the non-custodian parent – if that parent wants to marry again and have more children, he/she will be facing a significant financial disadvantage. This creates an additional environment for cheap furniture and household appliances, as well as time-saving services, to thrive.

Moreover, paradigms such as:

- Women choose the washing powder and do the laundry
- Men choose the car in the family
- Moms choose the products for the kids

will become outdated. As a result the commercials for washing powder targeting men will start to appear as well as commercials for household appliances targeted at women.

- Creating a list of newly divorced consumers

A good number of businesses have oriented themselves so they can facilitate the transition which the newly-divorced are facing immediately after the fact – the companies in this group concern real-estate, financial services and credit cards, furnishing and house-hold appliances, electronics and even legal services. In the USA, there is now a research agency which specializes in amassing and providing geographically sorted data about recently divorced people.

The Newly Divorced database is updated each week, allowing customers to access the most recent data and reach those prospects before their competition. Customers can search up to five weeks prior and choose by any geographical area, giving them the latest leads in their area.

“Marketing to these newly divorced consumers is a golden opportunity for hundreds of businesses. They are ready to move on with their lives, and you can help give them that fresh start that they are looking for,” says Vin Gupta, DatabaseUSA.com founder.<sup>3</sup>

## **Behavioral changes**

### **Internet usage**

#### **What does it mean for marketers?**

Even though nowadays television and the Internet are used in similar ways, online advertising still lacks the equivalent of the 30-second TV spot. Every company would like to use digital video clips to reach out to consumers, but there is not a definite answer for advertisers and publishers regarding the question of making money out of those campaigns – even though there is high demand for digital video commercials, the return from those is often not sufficient. Perhaps the key point here is that online video advertising is substantially different from TV for mobile devices and computers – and the two should not be treated equally. One exception could be inserting the traditional TV spots in shows and series which are streamed online (e.g. Crackle), but even those are often not received well – if the ad does not support the brand in the context of the content that the consumer is viewing, it matters little whether the consumer pays attention to the content of the commercial or just switches to another tab in his browser while it plays out.

A universally successful online video advertising format is yet to be developed; still there are promising methods highly specialized to enhance the Internet experience of the user. One of those are the so called “native ads” – embedded videos, often a part of a larger piece relating to a trademarked material, which only play if the user wants for them to play. Naturally, the consumer will have a more positive reaction to an advertisement he has willingly played rather than one he was forced to watch. In a “native ads” research for the vodka brand “Stolichnaya,” Nielsen reports on the effects of a campaign consisting of three music videos depicting people drinking vodka under the common title “The Most Original Night.” The results show “an overall 30.8% brand lift in purchase intent among those who were exposed to the video

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<sup>3</sup>List of Newly Divorced Consumers is Top Search from DatabaseUSA.com [New Divorcees Ready to Move On, Ready to Spend] (2012, October 17).PRWeb.<http://www.prweb.com/releases/2012/10/prweb10022624.htm>

through both paid placements and shared views," a dramatic increase that prompted Nielsen to proclaim that online video is becoming one of the "hottest topics" in online advertising.<sup>4</sup>

There is a consensus that Internet banners no longer work. One of the reasons is that ads have to be like the products they are trying to sell. The best TV commercials fill the screen with short stories which invite and challenge the viewer to see them. The most effective TV spots are better (in subjective terms) than the product, but also better than the content that they are interrupting (it is no coincidence that many people who watch the Super Bowl do it not because of the game itself, but for the commercials during the event). Similarly, the ads in print, as those in fashion magazines, often incorporate frames from professional photo shoots which provoke the senses of the reader. The PR specialists in the TV channels or the print publications will make sure that the brand advertised and the information of the ad will be significant to their audience. On the other hand, most often banners are unprofessionally done and placed, lead to dead-end, dangerous or fake sites, and generally do not constitute something the viewer of any webpage is looking forward to clicking on. Those are the reasons that 20 years after the online banners were introduced, they are largely neglected by both consumers and advertisers.

An interesting question to consider is whether the discovery of the "perfect" format of Internet advertising will lead to the end of TV commercials. Specialists are forecasting that marketing budgets for online advertising will continue to get closer to those for TV advertising, but it is still too early for TV outreach to be crossed off the board.

Here we need to talk about multitasking – a necessity for the modern consumer. Millions of people watch TV, listen to the radio, read the newspaper and magazines, all while they are online; understanding their behavior during those multitasking periods is crucial if efficiency is to be expected in advertising. What are the capabilities of the potential client to process and store information while he is doing more than one thing which requires his attention? The answer to that question will aid the conversations regarding commercials – and those will be lead with the point of view of the consumer in mind, not the one of traditional media.

The consumer will sometimes choose to use two or more means to achieve an end or fulfill a need e.g. get a URL from a magazine to get more information about a product, or just listen to his favorite radio station while reading the morning paper. In these situations, the person will choose to be affected by several but not all of the messages he encounters. For example, in public places we are all bombarded by messages about bars, restaurants, movies, concerts, food, drink, etc.; that effect is in

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<sup>4</sup> Mariko Hower, New advertising formats, timing could help monetize online video advertising, Published: April 24, 2013, Fierce Online Video

some ways magnified when the focus of the person is only on one or two sources of information. Regarding these, facts which marketers have to remember are those about effective placement of commercials in competing media during the correct times of the day – especially during the commuter rush hours of the day.

## **Social media**

Mobile devices and social networks have become more and more used in personal as well as in corporate communications. The people “living” in Facebook, the “Facebook nation” are the third largest population in the world next to China and India, but are way more directly accessible.

### **What does it mean for marketers?**

While for “traditional” internet we have a few standard forms of advertising developed (although highly inefficient), for social media there is nothing more but “a few good examples” of innovative usage of the social media.

Social networks and media are a vital part of the marketing in the modern world. It is expected from marketers to be able to get benefits and advantages by adequately controlling their company’s presence in social media; such measures save great amounts of time and can increase the sales of the product or service they are advertising.

Without doubt the social media influence continues to rise. In our digital world, consumers now research products online and use social media to ask their friends for recommendations on services, with 70% of consumers trusting brand recommendations from friends. Generating positive word of mouth and online recommendations is essential to create leads, as is personalising customers’ experience – the one-size-fits-all approach is no longer an option.

Social media is proven to be an extremely effective method of generating leads, with 77% of B2C marketers stating that they have acquired a customer through Facebook. For B2B companies, it is all about LinkedIn – with the social network being 277 times more effective in generating leads than Facebook and Twitter .

This effectiveness is due to the main advantage offered by social media - the opportunity to build a clearer picture of companies’ prospects before they try to connect with them. Social media offers a smart approach that is centered around personalisation and targeting. It gives companies the ability to monitor and engage their prospects with content, events and offers that are tailored to the individual,

reducing the use of the 'hard sell' and nurturing prospects over a sustained period of time.<sup>5</sup>

There are a few characteristics which could make social networks especially effective for marketing; some of those are:

1. The population of people who use these on a daily basis is increasing;
2. Information and word-of-mouth speeds are increased tremendously as the distance between people is decreased;
3. The information which reaches the user is usually filtered through a circle of friends, which makes the data easy to trust (especially interesting cases are the spread of Internet hoaxes like the one for snow at the pyramids in Egypt);
4. The participation in social networks is voluntary, and so is the viewing of any content (advertising or otherwise);
5. Social networks function, and more importantly are viewed, as a database for information regarding people and events (a point best illustrated in the closing moments of the David Fincher movie *The Social Network*); all the participants are content creators as well as content viewers. Furthermore, information can be shared (and hence disseminated) across friendship channels;
6. Social networking has transcended the "update your status" functionality – communication is key, and it happens exactly through the spread of information, like photos, articles, videos, etc. The sheer effort to be active on the part of the targeted consumer is an investment in the social media; it necessitates the need for brands and companies to initiate communication with their audience.

We will now investigate a few of the most successful marketing campaigns in social media.

For their product *Five Beans*, in 2013 Heinz created a Facebook competition, during which the participants could discover to which of five different beans they are most like, depending on their answers to a quiz. To engage the followers of the campaign even further, every hour winners receive a personalized bean, and every person who shared the quiz with ten other people got a bag of Heinz products. Active participants could also receive personalized coupons for free samples of the product. All in all, more than 11 million users on Facebook saw the campaign, and the page following for Heinz grew by 30,000 people.

Our second example concerns the very promising prospect of linking social media to direct purchases. Recently, Facebook added the functionality of sending people gifts or gift cards for their birthdays, and users can buy coffee for their friends through

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<sup>5</sup>Vinerean, S., Cetina, J., Dumitrescu, L., Tichindelean, M., The Effects of Social Media Marketing on Online Consumer Behavior, Published: June 18, 2013, Canadian Center of Science and Education

Twitter. In the latter example, the account of the giver is linked to that of Starbucks, and then the former can tweet a gift at a friend; the message is redeemable for coffee. Starbucks was one of the pioneers of online giving; they have provided that service on their website since 2011, and they have extended it to Facebook and Twitter. Their endeavor really showed the possibility and potential of e-giving in real time through the social networks.

Our final example is Warner Music Group, who provided high-school students with Nikon cameras for the SXSW (South by Southwest) festival in Austin so that they could record performances and then share them. With the aid of more Nikon cameras, this time professionally operated, the performances were broadcast in real time, with the hashtag #NikonWarnerSound, and were shared in Facebook postings. More than 500,000 people tuned in during the live streams, watching for more than 5 times the industrial average.

The future of social media marketing campaigns should be framed around such a kind of influence – it creates a solid word-of-mouth spread which due to the increased speeds of information dissemination has a significantly stronger impact than traditional digital advertising. The key part in creating waves in this form of communication is to place the word and the product in the data flow of “socially” active and empowered people online.

These are only a little part of the ways that social media can be used to engage a wide social audience to dramatically increase website traffic and social lead generation and conversion. As social media continues to be a large part of many consumers’ daily lives, marketers are looking for new ways to engage and excite. As 2014 begins, businesses are sophisticated enough to realize how social media trends are shifting in order to better create campaigns that pop. To stand out in the social media world, successful brands should remain true to their customer base while also being innovative and unique. Customer engagement will become more important than ever as businesses realize the importance of reaching out to people on an individual basis, rather than sending out one generic message intended to win over the masses.

## **Economic changes**

### **Power shifting East**

There is a lot of evidence that the economic and buying power are switching to the East. The part of the leading BRIC countries and other emerging economies in world’s GDP is growing.

### **What does it mean for marketers?**

- Special products for the emerging markets will need to be developed by any company wishing to be successful there; the copy-pasting of global brand product claims which rely on Western culture being attractive to foreign populations are becoming largely ineffective.
- More Eastern products will enter the Western households.

Consumers from some emerging markets are influenced by the ability of brands to project social status and maintain traditions which characterize hierarchical societies; more attention has to be dedicated to “looking good” rather than “feeling well.” The leading qualities that move the consumer are preservation and pragmatism. Hence, the following simple guidelines should direct the approaches in those markets:

1. Products and services have to deliver the exact level of satisfaction desired

A good example for this is Nestlé’s approach to introducing a new chocolate wafer in the Chinese market. It is commonly understood that unlike other foods which preserve the inner balance, chocolate arouses and excites. Nestlé lowered their production costs by reducing the amount of chocolate in their new wafer and offered a breakfast item which could be consumed on an everyday basis rather than be a dietary exception for special moments.

2. Products lines in emerging markets should satisfy a large range of needs and maintain multifunctionality

An example here is the Nokia 105 mobile phone, produced by the eponymous company; its simplistic design and interface, reminiscent to those from the early days of technology, makes it perfect for those who have never owned a mobile phone before. Still, that does not preclude it from serving as something more than a walkie-talkie – on the contrary, despite the fact that it is not a full-power smartphone, it possesses the expected amenities and quirks like an alarm clock, waterproofness, a flashlight and a talking clock.

3. Form trumps all

The content of an experience or the internal satisfaction from the consumption of a product often take a back seat in the emerging economies; the form itself is what singlehandedly can sell. For example, the Starbucks stores are often perceived as a meeting space for the professional elite rather than a space alternating for either the home or the office.

Another trend in those new markets is the establishment of megabrands. According to a 2013 Roper Reports survey, 79% of consumers in Asia and 61% of consumers in Latin America try to only buy from brands they have an established trust with. The lack of trust in the methods of production is a main cause of concern for them; the so

called “conglomerate brands” relax most of that tension by linking a name to a standard of quality. In the Philippines, a wide range of products – from water to chicken meat and cheddar cheese – are sold under the “Magnolia” brand. Similarly, the “Maggi” label is used by Nestlé in India to sell noodles, milk, sauces and soups.

There are differences in trends across countries, accounted for by levels of economic development. In the transition between an emerging economy and a developed economy, the market becomes home to more niched products. For instance, in the food market, the countries with moderate average incomes are in the so called “modernist” stage. These environments are most suitable for the sale of “indulgence foods” like chocolate and high-calorie count snacks. These foods are needed because of the stressful and fast-paced kind of life which goes on in these places. The benefits from consumption are worded not in the protective voice, but in the empowering one – be better, faster, stronger, smarter and more attractive. This can be compared to markets like the ones in Japan, the USA and the UK, where words like “lighter” and “(more) balanced” provoke a better response.

We can see predictability outside the food industry. While in the West, the market for private luxury items and services is well established, and even a little out of fashion, in China and other emerging Asian markets, the rich demand high volumes of individual luxury – most notably noticeable products tailored to the tastes and needs of the individual consumer.

In the emerging markets, the consumers are most often new clients. Advertising has to focus on creating provocative and appealing messages which would convince the populace to either make their entrance in the market with the respective brand or to change their preferences from an older product to a newer one. In markets where coffee is more of a novelty item, Nescafe is competing with tea and other non-alcoholic drinks; in high-coffee-consumption markets, it is also obviously competing with other instant coffee brands. This necessitates two distinct marketing approaches. In the former, the advertising has to provoke a fundamental change not just in brand preferences, but in general product choices; in the latter, a deeper distinction has to be created so that the audience can be convinced that amongst all the alternatives, the product is the most fulfilling one. In both cases, the end goal is brand loyalty.

Consumers in the emerging markets, who need reassurance about stability, are targeted through messages appealing to their rationality and logic in the appropriate social circumstances.

With the development of those new markets, more and more products from the East are approaching the Western markets and are becoming global. There is already the example of Lenovo, a Chinese computer manufacturer, who is adequately competing with long-established brands like Samsung, Apple and Dell; the last 10 years have



been a story of gradual and constant push by the Chinese company to reach the leading positions in the computer hardware and computing business. After the success of their product lines of PC's, laptops and tablets, they are expected to soon achieve a sizable market share in sales of smartphones.

In 2005, Lenovo acquired the Personal Computing division of IBM with the upshot of making a successful entry in the Western markets. An important brand which was purchased during the acquisition is ThinkPad – a widely recognized and valued name. In January 2014, Lenovo continued its expansion towards different parts of the market by purchasing Motorola Mobility for \$3 billion from Google; the strategy of solid entry into the market through the purchase of established brands and products becomes apparent. Taking into account the 92% growth in the Lenovo smartphone sales in 2013, the company is on par with competitors like LG and Huawei; all three are Eastern companies with significant potential for development, but they are still pretty far away from the market leader – Samsung. The second largest market share is held by Apple, whose sales growth in 2013 is more modest; it is believed that the company from California should be more concerned with Lenovo than with Samsung, as the American corporation has not been able to gain a foothold in the Chinese market – while the i-product line is highly desirable, its high prices and the abundance of way cheaper substitutes makes it unlikely for young people to make Apple purchases. The key words related to Lenovo, in part inherited from the purchased brands and in part well-deserved by the company itself, are quality and trust; they are still hard at work at expanding the palette of emotional responses and putting more substance behind the products and company image. For example, as good as Lenovo smartphones are, without the trust in their capabilities and the company name, their avant-garde designs would remain unnoticed in the West.

Lenovo are building upon their success with laptop computers and upon the highly-adequate decisions made by its leaders, but that might prove to be insufficient for success in the highly-competitive smartphone market. The high momentum of their corporate brand, substantiated by names like ThinkPad, IdeaPad and Motorola, should be enough to prop the doors to the developed markets open, but a lot of work will have to be done in the next few years for significant results to be achieved.

Eastern economies do not necessarily rely only on competitive methods for entering the global markets – cooperation and partnership are important concepts to be understood here. An example is the joint venture between Nestlé Health Science with the pharmacy and health products group Chi-Med; the ownership is divided 50-50. The purpose of cooperation division is the research, development, production and sales of medicine for gastro-intestinal conditions inspired on the traditional Chinese medicine; there are talks of future developments of drugs alleviating metabolic or brain conditions. Nestlé will contribute the expertise pertaining to eating habits and food, diagnostics and business practices, while Chi-med will provide their one-of-a-

kind collection of samples and the research platform, which will provide the physical backbone of the endeavor.

## Changes in Retailing

There are two main components of current retail trade – the existing large chains of hypermarkets (Metro C&C, Walmart) and the rapidly expanding online retail sector.

### What does it mean for marketers?

- Wooing your consumer is a hard task; the first thing you will need to do is put your product on the shelf. So the first “target audience” will be the buyers of the international retailers, who generally:
  - Have enough products on the shelf and would not particularly desire for any new ones (limited space availability)
  - Would want to make sure that they make more money off of your product per sq. m than from your direct competitors.
- The good news is that the rise of the e-commerce changes the rules of the game; below we will expand on how that happens.

Retail is getting complicated<sup>6</sup>. It is no longer a case of simply stocking shelves with desirable goods and waiting for shoppers to flock through the doors. The explosion of technology is transforming the way we shop. Consumers are seeking out the lowest prices with a couple of keystrokes. They check out a store's products on their mobile device during the commute back from work, then continue on the same page on their PC at home. They read online comments on consumer satisfaction forums and review sites.

Often the crisis in the physical retail world is attributed to the sheer reduction in the number of people visiting actual stores. During the holiday season in 2013, American stores were visited by merely half the people compared to three years prior; this drop is due to the radical change in the way people shop and purchase.

Nowadays customers lead active lives and to them shopping might often be an unnecessary loss of time; the activity is largely reduced to an unpleasant task, a problem. Many find browsing products and buying them online to be significantly more convenient than physically doing so. In-store visits can of course bring some satisfaction, but in total online or mobile shopping offers a wide range of interesting possibilities. In most cases, the information availability about a product on the Internet dwarfs the knowledge or competence of the store staff. Rarely can a person talk with many other people who bought the same product while they are in the same

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<sup>6</sup> Benady, D. (2014, March 3). Brands, technology and the changing face of retail. *The Guardian*. Retrieved from <http://www.theguardian.com/media-network/media-network-blog/2014/mar/03/brands-technology-changing-face-retail>

physical space; online commerce and its services supply that possibility almost effortlessly, which expedites the validation of trust in a product and makes a purchase more likely. Free delivery provides further encouragement for online shopping, and so do guaranteed deliveries during the holidays and the easy ways in which product returns can be handled.

The importance of online retail is reflected not only in the behavior of purely web-sellers like Amazon, but also of traditional physical stores. During the 2013 holiday season, the shops which offered web-shopping solutions reported an average of 10% increase in online purchases. 71% of customers expect to see all the products that a store offers on its website, and more than 50% expect to be able to complete the purchase online and opt for an in-store pick-up. In the smartphone era, people expect to be able to buy not just what is online, but also what is on the shelves of each shop. In a survey, 56% of consumers report that they checked the product they purchased from home before they went to the store, 38% checked for availability on the way to the store, and 34% actually use their mobile devices to learn more about each product while they are in the store. Because of these trends, physical retailers can now overcome the spatial limitations on display or storage space by using digital technologies to demonstrate the wide variety (colors, sizes) of their products – the most sought after models can be put on display, while the rest are stored at a different, easily accessible location.

If consumers engage the market more and more through their online devices and only rarely drop by the physical retail venues, the question of how to restore the latter as foci of interest arises. Most probably stores will transcend their functionality and serve as a hub for a more multilayered and complex relationship between buyers and sellers. In a world of many information channels, the purpose of actual shops changes from solely being about sales – the modern market space has to be modeled after a showroom, with the consumer being rewarded for his presence through as many channels as possible. The physicality of the space has to be utilized to the maximum – shopping should be about touching, smelling, feeling the product, as well as about the social experience and the fun of human interaction. In short, stores can become a location for having fun and trying new things rather than just exchanging money for goods.

The new stars will be the retailers that become a destination and offer a social experience which is pleasurable and entertaining. This is where experiential marketing comes to the fore by bringing the brand personality to life and using sensory techniques to connect with people on an emotional level. We can call this 'retailtainment'. Take, for example, the Apple store which has changed the landscape of how we shop these days. There is no central cash register, but instead stores have roaming sales assistants, an interactive genius bar and an EasyPay self-checkout. All this makes for a much more engaging experience and it's fair to say that the Apple Store has become, for many, the main destination in a shopping trip.

## Conclusion

In conclusion, we can say that the trends shaping our lives such as changes in our environment, changes in demographic structures, aging population, household vs. family, behavioral changes, media usage, social networking, economic changes, power shifting East and changes in retail trade will need to be incorporated in the way we think about marketing as soon as possible, for the sake of efficiency and better performance.

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