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Diaspora Marketing

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By targeting groups of emigrants abroad, emerging market companies are building international brands

Despite the dramatic shift in the world's economic center of gravity from the developed to the developing world in the past three decades, few corporations from emerging markets have succeeded in creating brands in the West. There are several reasons for this: Emerging giants -- globally ambitious companies from high-growth regions -- are late to the world market, aren't perceived as developers of next-generation technologies or products, and are believed to produce only poor quality. The list goes on.

The conventional wisdom is that emerging giants will have to spend huge sums to overcome those obstacles and establish brands in the developed world. Indeed, cynics argue that only a few corporations, such as the largest private companies and state-owned enterprises, will be able to take the global plunge.

That doesn't mean, however, that other companies from emerging markets have given up their aspirations. Corporations such as Haier, Lenovo, Tata, Mahindra & Mahindra, Embraer, and Natura, which have successfully developed innovative products and services on shoestring budgets, are in like fashion trying to build global brands with relatively few resources. They are learning to outsmart, rather than outspend, bigger and better-entrenched multinational rivals.

We've spent the past three years studying emerging giants that are striving to expand around the world, met CEOs who hope to build global brands, and spotted the green shoots of some innovative approaches. One powerful strategy, which we will outline in this article, is to target diasporas.

Some savvy companies have followed emigrants from their homelands, concentrating on countries that host them in sizable numbers. For instance, the United States has 32 million Mexican-Americans; Germany, 4 million residents of Turkish descent; and the UK, 3 million South Asians. Not all the members of a diaspora warm to companies or brands from home, though; emerging giants must identify those that are likely to be receptive. They can then use those groups as springboards for growing revenue and gaining brand recognition before breaking out into the mainstream.

Many executives overlook this inexpensive and low-key approach to globalization because of developing countries' ambivalence toward emigrants, who are often thought to have abandoned their homelands. That old-fashioned attitude is giving way to the realization that targeting diasporas and capitalizing on their success abroad can be a valuable brand-building tool.

The Lure of Diasporas

Marketing to diasporas is becoming increasingly attractive. Since 2000, the number of first-generation immigrants worldwide has risen sharply, from 150 million to 214 million -- a 42% increase. Contrary to popular perception, many of these people are affluent. For instance, in 2011 Indian-Americans, Chinese-Americans, and Vietnamese-Americans reported median household incomes of $90,529, $63,538, and $54,590, respectively, compared with an overall U.S. median of $50,502.

Distances have also shrunk. Once upon a time, if you moved to another continent, you did not expect to go back home for years or to remain in contact with that culture. However, affordable air travel, in expensive telecommunication services, and satellite TV now allow people to stay in close touch with relatives, friends, and trends in their homelands, making it easier for emerging-market companies to tap diasporas.

The opening up of the Chinese and Indian economies -- and their transformation into powerhouses -- has changed perceptions about their diasporas. Chinese emigrants now serve as conduits between their host countries and the mainland, while members of the Indian diaspora help connect global entrepreneurs and knowledge workers to the Subcontinent. Overseas governments, like those in the United States and the UK, are heaping attention on Chinese and Indian residents, whose stature among host populations has risen. As a result, the demonstration effect of their consumption patterns and cultures has increased.

While these developments have made diaspora communities viable market segments in theory, the success of marketing strategies depends on a crucial factor: the immigrants' mind-sets. Executives must use cultural psychology to understand people's behavior and gauge a diaspora's potential to help launch global brands.

Segmenting the Diaspora

Targeting the Right Immigrants

The culture in which a person is born -- the home culture -- plays a key role in shaping his or her identity. No matter where people end up living, they retain a sense of themselves as, say, American, Brazilian, Chinese, or English, depending on their roots. Even if they wish to forget their ancestry, the society to which they have moved -- the host culture -- tends to make that difficult, because it views them as different and as newcomers, even pretenders.

After people immigrate, they consciously and subconsciously modify aspects of their identity in response to the host culture. Marketers have observed changes in the attitudes, lifestyles, and values; language and accents; and purchase and usage behaviors of immigrants as they undergo what sociologists call acculturation.

Social scientists once tended to view acculturation as a one-dimensional process whereby immigrants assimilated into their adopted country's dominant culture. (Think of the so-called American melting pot.) Recent research reveals that today's reality is more complex.

Immigrants actually face two challenges: The first is maintaining their cultural distinctiveness while living in a foreign society; the second is affiliating themselves with the host culture. On one hand, they must decide whether to retain their original cultural identity and customs and determine if doing so will be beneficial or detrimental to their prosperity in the host country. On the other, they must choose whether to participate in the host country's customs, to what extent, and for what purpose. The combination of choices they make will place them in one of four categories:

Assimilators. These immigrants are unlikely to retain customs and practices from the home culture; they quickly adopt those of the country they've moved to. They won't buy products made in their homeland, partly because they don't wish to stand out. In fact, assimilators are hyperprone to purchasing the host country's brands as an affirmation of its culture. Studies show that first-generation Korean-Americans are more likely than U.S.-born consumers to own durable goods that were made in America, and that Mexican-Americans eat more American breakfast products, such as dry cereals and bagels, than the average U.S. consumer does.

Marginals. Many immigrants believe that society has marginalized them, especially if they have been forced to leave their homelands. Because these individuals are usually poor, they also often lack economic and educational opportunities in both home and host countries. Unsurprisingly, neither culture can influence their purchase decisions. They weigh only factors such as affordability, functionality, and durability.

Emerging giants should sidestep these two categories of the diaspora and target the remaining two, which offer better prospects for brand building.

Ethnic affirmers. These people consciously separate themselves from the host culture and think little of -- and may even deride -- its lifestyle, values, products, and brands. They cling to their home cultures, even more fervently than people living in their homelands, as a means of retaining their identity. This is usually a self-preservation mechanism for minorities who must live in a large or powerful host culture.

Immigrants from developing nations who affirm their ethnicity can be an attractive segment. Tecate, a relatively unknown Mexican beer brand produced by the Monterrey-based Cuauhtémoc Moctezuma brewery, has built its U.S. sales by reaching out to first-generation Mexican-Americans. Tecate's marketing communications extol the virtues of blue-collar work and immigrant perseverance, and its pale ale is sold in distinctive red aluminum cans. Tecate is the number one imported beer among Hispanic-Americans, with an almost 20% share of that segment, and the fifth-largest imported beer by volume in the United States. In January 2010, Heineken N.V. acquired the brand.

Similarly, India's Reliance MediaWorks (RMW) is tapping into the segment of Indian immigrants in the United States who regularly watch Bollywood movies -- an integral part of their ethnic identity. This genre of cinema usually runs only in second-tier theaters and art cinema houses. Since 2008, RMW has acquired 22 theaters in states where there are large numbers of Indians, such as California, New Jersey, and New York. After renovating them with new digital projectors and sound systems, computerized accounting controls, and stadium seating, it relaunched them as Big Cinemas. In many of them RMW has set up full-scale kitchens and Bombay Cafes, which offer Indian snacks and drinks. (Samosas and mango lassi, anyone?) Big Cinemas serve not only as entertainment centers but also as social hot spots for Indian-American families, especially those with teenage kids.

The only downside is that ethnic affirmers tend to socialize mainly with others from their home country or region. Their behavior has limited demonstration effects on the mainstream culture of the host country. So they usually don't make great foot holds for emerging brands.

Biculturals. Biculturals are able to maintain a sense of belonging to both their home and their host cultures without compromising their identity. They can alter their conduct to fit different contexts, and they integrate elements of both cultures into their behavior. For example, studies have found that most Indian-Americans like Indian food and clothes at home but prefer American food and dress when they go out.

Compared with ethnic affirmers, biculturals are better educated; have higher incomes, socioeconomic status, and self esteem; and are more involved in local social networks. They have many friends in the community and are usually members of organizations and clubs. Their social relations make them attractive conduits to host populations.

An Indian bank, ICICI, has used the biculturals in the Indian diaspora to expand internationally. Noticing that as much as 10% of its foreign deposits came from overseas Indians, ICICI first leveraged its relationships with banks in the Middle East to offer low-cost remittance services there. It launched similar services through subsidiaries in the UK, Russia, and Canada; branches in the United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar, and Dubai; and representative offices in the United Arab Emirates, China, South Africa, Bangladesh, Thailand, Malaysia, and Indonesia.

Indian immigrants liked ICICI's products -- and told their friends. Soon, ICICI was signing up non-Indian account holders in, for instance, Canada, where Indians are well accepted. To capitalize on the trend, ICICI launched a promotion in key geographies encouraging customers to refer friends. The reward for every account opened: a phone card good for 500 free minutes of calls to India.

The benefits of this approach show up on ICICI's books. Foreign operations accounted for 9.7% of ICICI's revenues of Rs 484.2 billion and 17.6% of total assets of Rs 5,307 billion for fiscal year 2013. Says Lalita Gupte, ICICI's former managing director and the chairperson of ICICI Ventures: "The idea of using the diaspora as a beachhead to enter new markets has proven to be viable."

Evaluating a Diaspora's Potential

Of course, targeting diasporas may not always be the right choice for companies that are trying to build global brands. To assess their potential as a base from which to break into the mainstream, marketers must ask four questions:

Does the brand have universal appeal? A brand must strike a positive chord with the broader population if it is to succeed. It has a better chance of doing so if it possesses three qualities:

Superior product performance. That's the allure of the fast-growing South African casual dining chain Nando's, which operates in 26 countries. Its first overseas outlets opened in Australia, Canada, and the UK, where large numbers of South Africans live. However, as the chain's cofounder Robert Brozin explains, "We could not survive on South Africans living abroad; we needed to convert the locals into customers. For that, we needed to have main stream products."

Customers appreciate the chain's products for several reasons. It sources chicken locally and delivers it fresh, rather than frozen, to outlets. Every piece is marinated for 24 hours in a signature Peri-Peri sauce that contains no preservatives, colorants, or artificial flavors. The chicken is butterfly grilled over an open flame to reduce the fat content and strengthen the flavors, while being basted to specification -- extra hot, hot, medium, or lemon-and-herb. Nando's has established itself as a multilayered global brand, offering tasty products with a Portuguese-African heritage and associating itself with sunshine, family values, and African culture. In the year ending in February 2012, its 313 restaurants in the UK generated £419-5 million in sales, on which it made a solid £14.7 million profit.

Compelling value. The Chinese e-commerce giant Alibaba hopes to become a global player by pushing the advantages of its online payments system, Alipay. The company has initially targeted low-trust, underbanked emerging economies, such as Vietnam, Indonesia, and Cambodia, which are familiar with Chinese companies and conduct a lot of business with China. Alipay has an edge because, unlike PayPal, it releases payments to sellers only after buyers are satisfied with the goods received. That builds trust and is valuable in societies where the rule of law is weak. Alibaba hopes that the system will fuel its expansion in other developing countries in the same way it has in China.

Positive country-of-origin effects. A brand's origins can add credibility even if the general impression of developing countries is negative. Consider the Saudi Arabian fragrance retailer Arabian Oud. While many Westerners may not feel kindly disposed toward Saudi Arabia, they do recognize the Arabian Peninsula as an ancient source of fragrances. Building on that history, Arabian Oud has set up 620 stores, offering more than 400 incense products, perfumes, and oils, in 33 countries including the UK and France. The company went global after noticing that tourists who came to Saudi Arabia, especially to Mecca during the hajj, bought its products. It followed them home, creating a global brand in the process. (For more on the Middle Eastern market, see "Understanding the Arab Consumer," by Vijay Mahajan, HBR May 2013.)

Is the diaspora large enough? Companies from developing countries must start by targeting areas where biculturals and ethnic affirmers live in numbers big enough to justify investments in supply chains, distribution, and retailing, as well as in advertising and marketing. The diaspora's size relative to the local population is critical. For instance, the Indian diaspora in the United States comprises 2.3 million people, and in England, only 1.4 million. However, Indian brands fare better in England because Indians account for 2.7% of the population there but less than 1% of Americans.

Will the diaspora's distribution allow the brand to expand nationally? From an emerging giant's perspective, a diaspora should be spread all over a country but with concentrations in key regions. These groups, especially of biculturals, can serve as stepping-stones for brands to go national. They act as nodes through which information and product usage spreads to different regions, allowing the company to reach the mainstream cost-effectively.

That's how Bangladesh's largest food company, PRAN RFL, which exports soft drinks, snacks, biscuits, confectionary, and spices, is growing overseas. It started out by setting up distribution networks wherever the Bangladeshi diaspora had congregated. For example, in the UK it focused on East London, where the borough of Tower Hamlets has a high percentage of Bangladeshis. (They make up 32% of the local population.)

PRAN then targeted immigrants from India, Sri Lanka, Nepal, and Pakistan, who often live in proximity to Bangladeshis in the UK and have similar consumption patterns. Since PRAN's food products adhere to Islamic guidelines (halal), the company further refined its strategy by concentrating on Muslims from the

Subcontinent. Finally, the company tried to establish itself as a brand in Britain by advertising in the mass media and ensuring distribution in main-stream outlets.

Will the diaspora's socioeconomic profile help the brand? Companies can answer this question by determining whether the diaspora members' profile resembles that of the host population. People tend to socialize with those who are like them -- a tendency sociologists call homophily. If local consumers don't identify with the ethnic consumers of an imported brand, they're unlikely to pay attention to that brand.

The Manila-based fast-food company Jollibee used the principle of homophily when it entered the United States. It targeted relatively affluent Filipinos in California, using them as a base for expansion into the rest of the country. California was a smarter choice than, say, Hong Kong, where Filipinos serve mainly as domestic workers. If lollibee had invested in Hong Kong, Chinese consumers would have been convinced that it was a blue-collar brand and refused to pay a premium for its products, lollibee's selective approach has delivered growth: While its sales in the Philippines grew by 10.8% in 2012, its overseas sales rose at a faster clip of 25.7%.

How Dabur Became a Global Brand

One company that analyzed its nation's diaspora and determined that it could help build a global brand is India's Dabur. Originally a manufacturer of herbal medicines, Dabur has extended the principles of ayurveda, an ancient system of medicine based on natural products and holistic living, to personal care. The company develops new offerings by identifying plants with therapeutic power and combing through 2,000-year-old texts.

In the 1980s, Dabur cautiously started exporting products to the Indian diaspora in the United Arab Emirates -- a promising gambit because there are more than 5 million Indians in the Gulf region, which is close to India. The company soon realized that its personal care products appealed to Arab women, too. That's partly because they are fans of Bollywood movies and associate beauty with the Indian film stars that Dabur uses in its campaigns.

Since then, Dabur has made forays into developed markets like the UK and the United States. In both countries the Indian diaspora is big, regionally concentrated, and nationally dispersed and has a good socioeconomic profile. Since Bollywood star-based advertising wouldn't work in Europe or North America, Dabur tried another tactic, tapping into the surging interest in all-natural products in the West. By touting its use of science that relies on herbs, Dabur could add country-of-origin credibility and claim superior product performance. Success has followed: Dabur's overseas business has been growing at a 32% compound annual rate since 2004, and its margins have risen from 14% to 18.3% in the same period.

Historically, no country has evolved into a developed economy without spawning global brands. That's the path followed first by Britain; then by France, Germany, the United States, and Italy; and more recently by Japan and South Korea. Still, following precedent alone won't create global brands; companies from the developing world face formidable obstacles. As long as they realize that those can be overcome by smart strategies, and not by expending resources, we don't see why emerging brands can't have the same impact in the West that multinational brands have had in developing nations.

STRATEGY & COMPETITION

Despite the rising power of developing economies, few corporations from emerging markets have succeeded in establishing brands in the West. The problem isn't just that they're late to enter the global market; the perception is that they offer poor-quality products, not next-generation ones. Conventional wisdom holds that they'll have to spend huge sums to overcome these obstacles.

But some emerging giants, such as the Indian bank ICICI and the maker of the Mexican beer Tecate, are figuring out ways to build global brands on a shoestring. They are learning to outsmart, rather than outspend, their multinational rivals. One powerful strategy they're using: targeting the emigrants who have left their homelands. Regional concentrations of these individuals can provide excellent springboards into developed markets.

The key is to target the right segments of emigrants, say the authors. Assimilators, who quickly try to adopt the customs and practices of their new country, are not likely to purchase products made in their homeland. Neither are marginals, who lack economic and educational opportunities and buy mostly functional, affordable products. But two other categories of immigrants hold promise: ethnic affirmers, who cling fervently to their homeland identity, and biculturals, who tend to be affluent and well-educated and move easily back and forth between their home and host countries' cultures. Biculturals are especially attractive; because they're integrated into their local communities, they can influence other consumers and make good conduits to the general population of their host countries.

Box:

The Reverse Diaspora Effect

People often consume local products and brands during visits or vacations. If they enjoy the experience, they'll try to replicate it when they return home. That's why Thai food, for instance, witnessed a surge in popularity in the 1990s.

Like some other emerging-market brands, Mexico's Corona has managed to harness this reverse diaspora effect successfully. (For a fuller analysis, read How Brands Become Icons: The Principles of Cultural Branding, by Douglas B. Holt, Harvard Business Press, 2004.) As is often the case with such effects, Corona's began serendipitously.

Although the Mexican brewer, Grupo Modelo, tried to sell Corona beer to Americans in the 1970s, it didn't succeed; exports stayed flat at around 800,000 cases a year for almost a decade. But by 1988 sales of Corona had taken off, hitting 23.s million cases. Corona had surged in popularity because in the 1980s, U.S. students on spring break started traveling to Mexico for its great beaches, warm weather, and wild parties. These trips were apparently episodes of excess, and Corona unintentionally fit in because it was a cheap local beer. When the American students returned home, they naturally sought out Corona to relive the good times they'd had in Mexico.

By the time they started their professional lives, Corona had set up a U.S. distribution chain. Its marketing machinery took advantage of the beer's rising popularity, ensuring brand recall with the advertising tagline "Cross the Border." Corona quickly became the drink of choice among yuppies. Over time, Grupo Modelo established Corona's premium image, with "Fun, Sun, and Beach" becoming the guiding message behind everything that Corona did in the United States.

In 2012, when Corona Extra and Corona Light sold some 46 million cases in the United States, it became the country's fifth-largest beer brand by value, raking in more than $1.3 billion in sales. And not by following the worn-out route of low prices: Corona's price per case is 45% higher than that of market leader Budweiser. That year, Corona's global brand value exceeded Heineken's, and Corona was the only emerging-market product on Interbrand's list of the 100 most valuable global brands.

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