

# Study on the Successful Mechanism of New Foreign Brands entering the Emerging Markets

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**Abstract**—There are very few studies on new foreign brands operation mechanism in emerging markets, compare with a lot of researches on transnational corporations' market entry mode (Lu, 2012). Also, few studies have focused on how to promote new foreign brands operating successfully through emerging markets operations team in the professional capacity building and training. This article is based on transaction cost theory (Williamson, 1979, 1985) and reports on a research with a 300 respondents sample from mid-level managers of department stores, shopping centers in China commercial retail industry. Qualitative interviews, quantitative questionnaires and supplementary references, e-mail return-visit and other channels were used in data collection in order to provide better understanding of relevant data of new foreign brands entering China's emerging retail market during 20 years in 1995 -2014. It was found that there are three factors impacting on new foreign brands performance as well as popularity and recognition in emerging markets: emerging market operations teams' team building skills, the ability for channel development and back-office services capabilities, under precondition for new foreign brands' brand history, brand design, brand positioning, brand strength, brand supportive of emerging markets are qualitative.

**Keywords**— New foreign brands emerging markets entering market team building channel development back-office services operation mechanism.

## I. BACKGROUND AND MOTIVATION

THE internationalization of the brand will become the development trend of global business market with the development of globalization. A large number of new brands will influx emerging markets to participate in market competition under this environment of market development trend. It will be the general trend of future global competition in the commercial market for new foreign brands to influx emerging markets to participate in market competition (Chevalier and Lu, 2009). These new brands were never present in the existing market and come from foreign countries according to current definition of the most commonly used internationally. So, it is a wholly new development model of

new foreign brands operation in emerging markets. It might not achieve the expected effect if simply copy the same operation as before instead of localization combined with the emerging market when influx emerging markets.

Brand demand to products will gradually increase in China as a rise of the great nation economics. Brands and famous brands will become the focus of future Chinese consumer market. Thus the brand operation of products will be the focus of future China commercial market development (Lu, 2008; Lu and Pras, 2010). On a macro scale it is necessary to research on emerging markets due to the fact that the history of brand development in Chinese commercial market is much shorter than the brand maturity of Europe and the United States ones, and it has significant difference on the brand operation between emerging markets and mature market. From the micro view, it is in a new stage of cognition, perception for new foreign brands to emerging markets and there is no even a basic mature operation model or assessment system of them. So it is necessary to research on it to get a better understanding of new foreign brands operation model and assessment system in emerging markets in formative stage, without the bias introduced by practice and theory view).

## II. RESEARCH PURPOSES

There are three following aspects as objectives of this research :

(1) A basic understanding of emerging market operations teams' ability composition will be found through the understanding of the role of the following variables: team building skills, the ability for channel development and back-office services capabilities. Indeed it is through the combining of those regulated variables, new foreign brands' history, brand design, brand positioning, brand strength, brand supportive of emerging markets are qualitative, that a basic qualitative understanding of new foreign brands will be formed. To establish a basic understanding of new foreign brands' performances entering China's emerging retail market through analyzing the dependent variables: foreign brands performance as well as popularity and recognition in emerging markets.

(2) A basic new foreign brands operation model and assessment system will be established through the demonstration research on the independent variables, regulated variables and dependent variables above. It is the main research purpose of this paper. It will also provide a reference scheme for new foreign brands entering emerging retail markets.

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(3) This paper finally aimed to give feasible reference opinions on how China brand market can develop beneficially, professionally and sustainably in theory view and improve gradually through the research.

### III. RESEARCH METHOD

Based on literature review and research purposes mentioned in the research, this study proposes a research framework and research hypothesis, using evaluation tools of the Li Teke's level 7-points scale design survey questionnaire. Qualitative interviews and quantitative questionnaire survey are complementary types of measuring tool, including interviews and surveys used by the mid-level managers of commercial retail industry. Independent variables have an effect on dependent variables under precondition for regulated variables qualitative and quantitative. The research methodology adopt a classical approach, including hypothesis, sampling, measure, data analysis through statistics and so on. Data collected in the retail industry include: clothing, apparel, bags, jewelry, watches, cosmetics, perfumes, furniture, supplies, electronic products, alcohol, food, etc.

### IV. RESEARCH FRAMEWORK

Based on literature review, this research framework is analyzing how independent variables have an effect on dependent variables under precondition for regulated variables qualitative and quantitative. Background of participants is based on the retail industry's department stores, shopping centers, career species and working years.

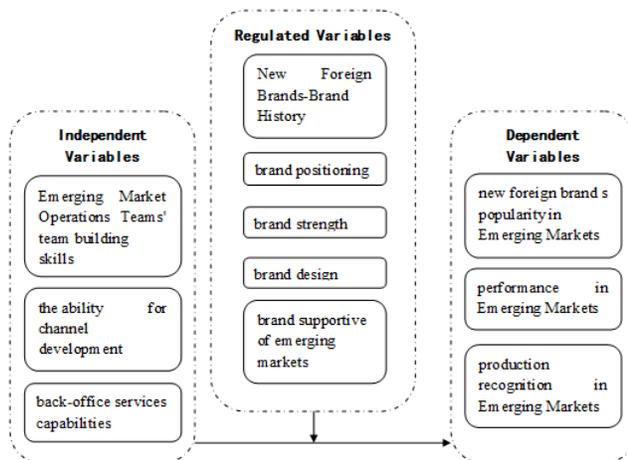


Fig. 1 Research Framework

### V. MEASURING TOOLS AND PARTICIPANTS

Measuring tools for the study are qualitative interviews and quantitative questionnaires. Through interviews and questionnaires, this study will clarify the relationship between emerging markets operations team's professional capacity and new foreign brands performance as well as popularity and recognition in emerging markets. Qualitative interviews and quantitative survey are designed based on the above hypothesis, the questionnaire consists of seven parts: A) team

building skills B) the ability for channel development C) back-office services D) brands popularity in emerging markets E) production recognition in emerging markets F) Established conditions of new foreign brands(including: brand history, brand design, brand positioning, brand strength, brand supportive of emerging markets) G)Basic Information, using evaluation tools of the Li Teke's 7-level scale designing survey questionnaire, from 1-7: very unrecognized, unrecognized, a little unrecognized, not sure, a little recognized, recognized, very recognized. Participants can answer from their own perspective

The object of this study was the mid-level managers of department stores, shopping centers in China commercial retail industry, through qualitative interviews and quantitative survey. Although the distribution of the questionnaire is anonymous for privacy purpose, after the end of the questionnaire each person had a prepaid envelop in which to seal the answered questionnaire, and then collected by the person in charge. This practice ensured the privacy of participants and made sure the information is complete..

### VI. CONCLUSION

This study is conducted in order to understand what will happen when and how new emerging foreign brands entering enter the retail market, namely under a premise the regulated variables such as brand history, brand design, brand positioning, brand strength and brand supportive of emerging markets have been qualitative, what is the relationship between independent variable-emerging markets operations team's professional capacity and dependent variables including performance in emerging markets, brands popularity and production recognition. The conclusion is the emerging retail markets operations team's team building skills, the ability for channel development and back-office services such independent variables have an obviously positive effect on the result of new foreign brands performance, popularity and production recognition in emerging markets.

Therefore, we recommend that we could build emerging retail markets operations team's professional capacity model as a core one to emerging retail markets operations mechanism. It is necessary to build the team model before new foreign brands entering emerging retail markets, and to use it as a evaluation index to screen of emerging retail market corporation team in order to organize estimate and improve operation team. This operation mechanism's establishment will directly affect the three indexes: performance, brands popularity and production recognition when new foreign brands will be entering into emerging retail markets.

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