

## Trajection 4: The Self-Preservation Society



In times of economic difficulty, it is not unusual for people to look out for number one. When you're worried about how you can afford to feed your family and how many hours you will work in the next month, the plight of other people in other countries seems that little bit more remote.

In our Global Foresight (TGF) survey we ask people whether they think their country's leaders should give top priority to help reduce poverty in the world or top priority to solving their own country's problems. The vast majority (83%) responded that their national problems should be prioritised over reducing poverty globally<sup>1</sup>. This figure has risen in the past five years (from 76%<sup>2</sup>), during which time many have suffered financially. This implies that economic difficulties strengthen this feeling of insularity. Additional work undertaken by Trajectory in the UK reveals that this attitude is replicated on a domestic scale. In this study people exhibited a strong bias toward Government cut-backs in areas with the least direct effect on the respondent. For example young people would cut pensions by twice as much as those over 60 and those earning over £70,000 would cut tax credits by almost twice as much as those earning below £20,000. Thus people are more interested in 'self-preservation' than with the plight of others at both domestic and global level.

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<sup>1</sup> % responding 6-10 on 1-10 scale (where 1 = 'top priority to help reducing world poverty') and 10 = 'top priority to solve my own country's problems') to question 'thinking about your own country's problems, should your country's leaders give top priority to help reducing poverty in the world, or should they give top priority to solve your own country's problems'

<sup>2</sup> World Values Survey, 2007

TGF supports the assertion that such narrow attitudes are exacerbated where one's own (perceived) financial hardship is worse. Global respondents who thought their household finances or the economic situation in their country were going to deteriorate in the next year were more likely to want their leaders to sort out their own country's problems (see table 1).

**Table 1: Local priorities<sup>3</sup>**

% who think their leaders should give priority to solving own country's problems	Advanced markets	Emerging markets
The financial situation of my household <b>will improve</b> in the next year	70%	76%
The financial situation of my household <b>will get worse</b> in the next year	74%	79%
The economic situation in my country <b>will improve</b> in the next year	69%	76%
The economic situation in my country <b>will get worse</b> in the next year	75%	80%

**Source: Trajectory Global Foresight 2011/12**

**Base: 52,742**

This focus on 'self-preservation' and the associated domestic outlook has a number of important implications ranging from attitudes toward supra-national entities like the EU, to feelings towards global brands national champions and local businesses, to responses to global crises and disasters and of course welfare, benefit and employment 'reforms' closer to home.

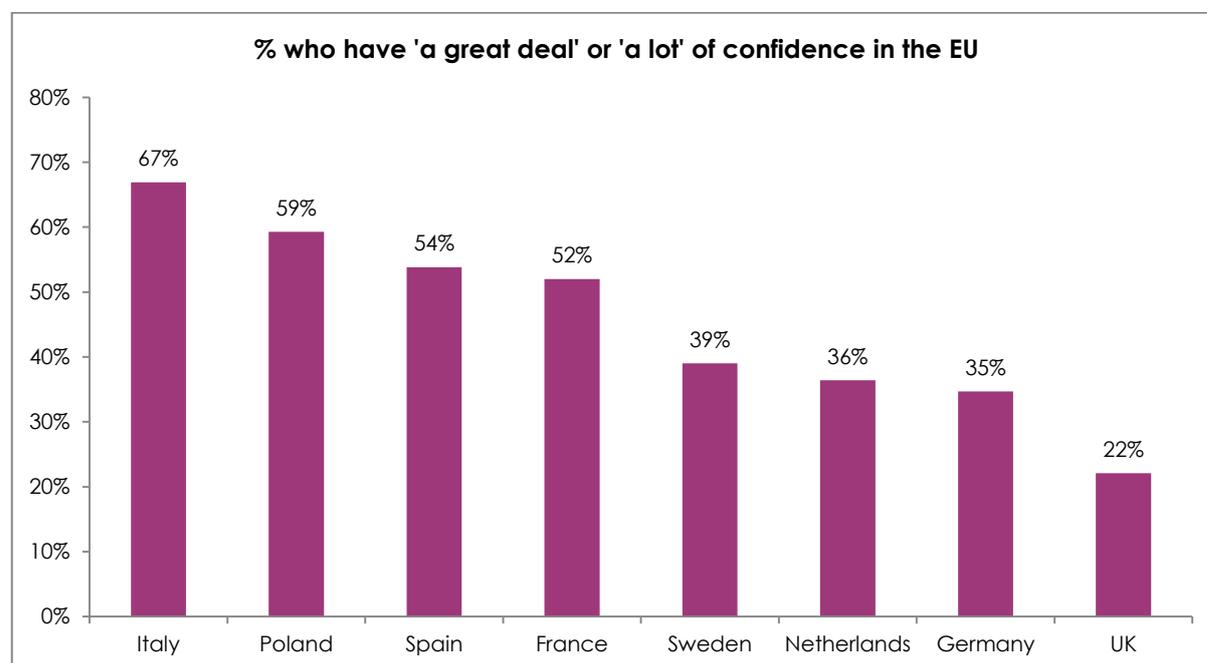
### Attitudes towards the EU

These insular attitudes have become particularly evident in the EU as the Eurozone crisis continues. Levels of confidence in the EU, as measured by TGF (see chart 1) seem to broadly correspond with the perception of tangible benefits accruing as a result of membership and closer integration. The UK, where only 1 in 5 has any confidence in the EU, has always felt itself somewhat on the periphery of Europe. The Netherlands and Germany, where confidence in the EU is also low, are most likely fearful of the burden of bailing out other indebted Eurozone members and as a result feel negative about it. In contrast, Poland has received tangible economic benefits since its entrance into the EU in 2004, whilst Spain and Italy may yet rely on the EU for

<sup>3</sup> % responding 7-10 on 1-10 scale (where 1 = 'top priority to help reducing world poverty') and 10 = 'top priority to solve my own country's problems') to question 'thinking about your own country's problems, should your country's leaders give top priority to help reducing poverty in the world, or should they give top priority to solve your own country's problems'

finance in addition to the long term investment received – all these countries have relatively high levels of confidence in the EU.

**Chart 1: Confidence levels in the EU**



**Source: Trajectory Global Foresight 2011 (5 waves from February to July)**

**Base: 21,309**

People's prioritisation of their own and their own country's welfare has, alongside general disillusionment with the Eurozone, helped to increase support for populist parties and politicians pledging strongly nationalist policies be they protectionist, isolationist or anti-immigration. Take the UK for example, where opposition to immigration is relatively strong and on the rise: 62% of respondents to TGF agreed with the statement 'when jobs are scarce, employers should give priority to nationals over immigrants', up from 52% five years ago<sup>4</sup>. In 2007 at the Labour Party Conference Gordon Brown declaimed the importance of 'British Jobs for British Workers' and only last year an e-petition for tighter immigration controls gathered 140,000 signatures and prompted a parliamentary debate. The government has publicly pledged to reduce net immigration to tens of thousands from 216,000 (in 2011) by 2015. To achieve this legally they have had to focus on non-EU immigrants, much of which is driven by higher education. August 2012 saw the Home Office strip London Metropolitan University of its right to sponsor foreign students.

Such populist moves could damage the UK economy in the long-term, both directly by undermining the UK's education sector, one of its most successful

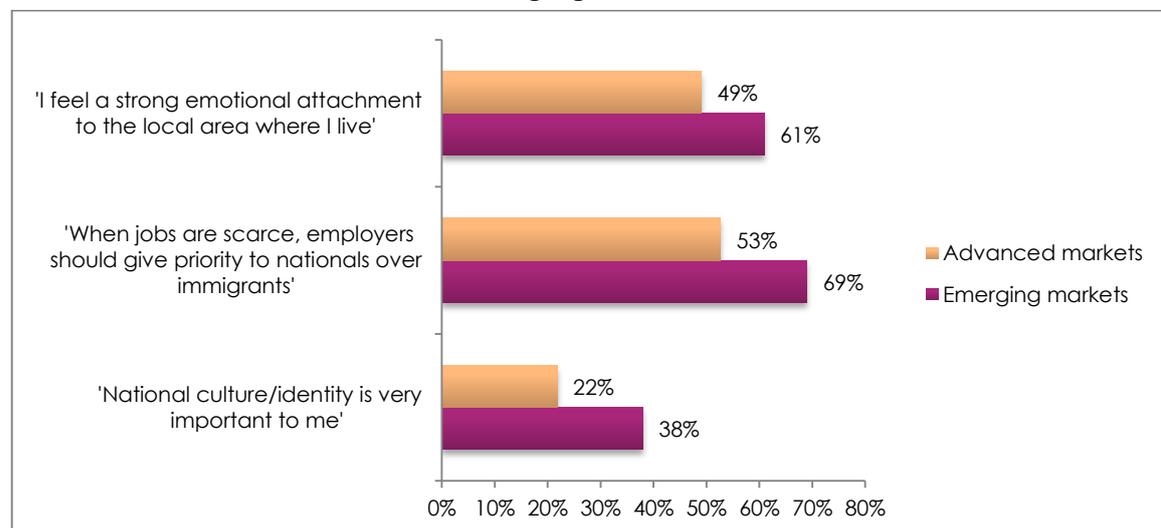
<sup>4</sup> World Values Survey, 2007

exports, and indirectly by reducing the number of educated and skilled workers available. Finally it is highly likely that the Conservative Party will fight the next general election (2015) with a manifesto commitment to holding a referendum on continued EU membership.

### What about the emerging world?

It is interesting to note from table 1 that there is a greater proportion of people in emerging markets than in advanced markets who think their leaders should give priority to solving their own country's problems rather than reducing poverty in the world. This is despite the fact that, according to TGF, people in the emerging world have far higher levels of consumer confidence: 57% of people in emerging markets thought that the financial situation in their household would improve in the next year compared to only 27% in advanced countries. Thus it would seem that people in emerging markets are even more insular, with less of a global outlook than those in advanced markets. Indeed in many ways they are (see chart 2): people in emerging markets are more likely to say that employers should give priority to nationals over immigrants when jobs are scarce, they're more likely to feel a strong emotional attachment to where they live and they're more likely to feel that their national identity is important to them.

**Chart 2: The domestic focus of emerging markets**



**Source: Trajectory Global Foresight 2011/12**

**Base: 52,742**

We might surmise that within these emerging market countries there are many who acknowledge -the growth of their domestic consumer class notwithstanding - that many still need support in order to be lifted from poverty, whilst areas such as infrastructure, health and education still require much

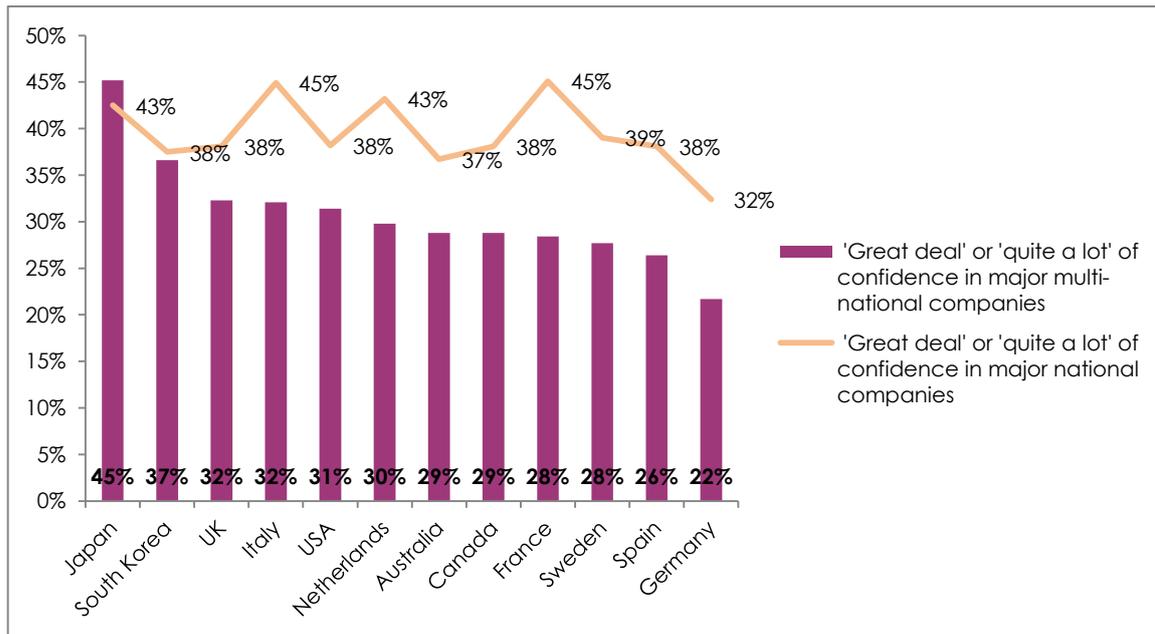
investment. Whilst such issues remain evident and close to home for emerging market consumers, people's focus will, for the most part remain domestic, protectionist and nationalistic.

### **What does this mean for businesses and brands?**

One might reasonably expect people's prioritisation of domestic concerns to translate into how they interact with brands and businesses, by, for example, giving preferential treatment to domestic brands and businesses in place of international or foreign ones. Indeed, there was a widespread outcry in the UK when the government elected to award a contract to German firm Siemens instead of Derby-based firm Bombardier, or witness the current debate surrounding the proposed merger of BAE and EADS. TGF supports this assertion. As the chart below reveals, across almost all advanced markets that we survey, people have greater confidence in major national companies than they do in major multi-national ones. The one exception is Japan, where the unique circumstances of prolonged economic stagnation and the nuclear energy crisis in the wake of the tsunami has served to further undermine confidence in the competence of Japanese companies (although Japanese confidence in any company is relatively high).

This finding has important implications for the global brand debate and suggests that brands that have a global presence still need to think and act locally in advanced markets. Thus companies should highlight their domestic investments and their local values in order to contextualise their global strength. A recent poorly dubbed advertisement for Captain Morgan's rum, originally created for the US market, is therefore unlikely to attract much affinity. On the other hand, the British Airways Home Advantage campaign was well received – it appealed to national pride and local priorities by encouraging the UK to come together in support of its Olympic team, while also allowing consumers to create a personalised version of the advert which saw a British Airways jet passing down their own street.

**Chart 3: Advanced markets' confidence in national companies**

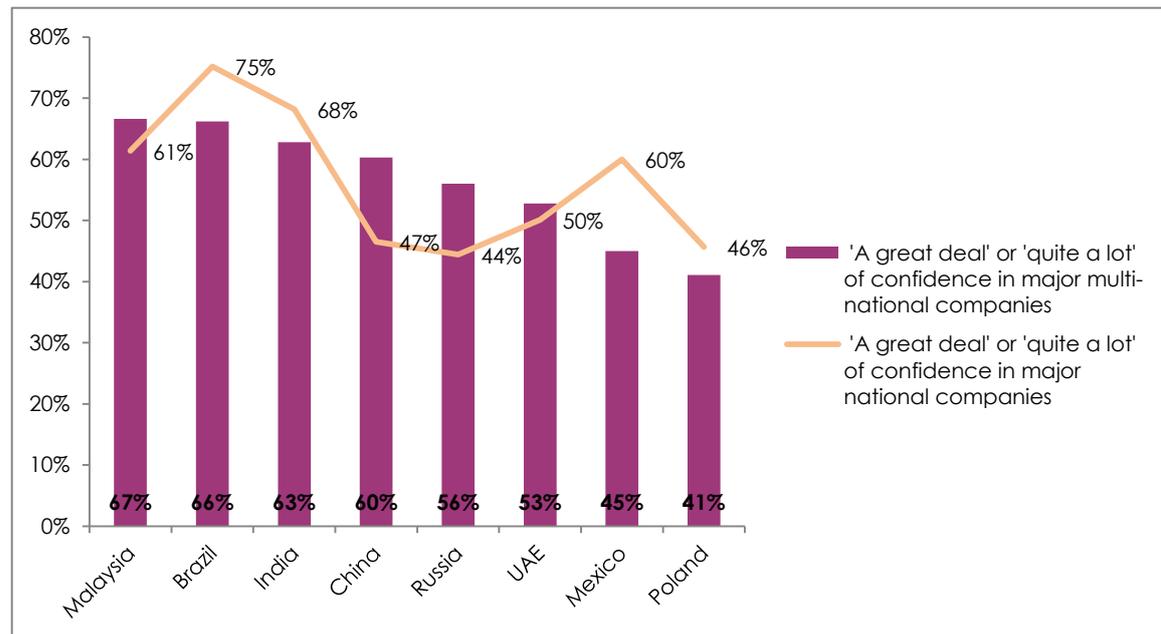


**Source: Trajectory Global Foresight 2011/12**

**Base: 31,987**

Attitudes towards multi-national and national companies in emerging markets follow a different pattern and reveal a more nuanced picture. Despite more people within these countries having a domestic focus (see table 1 and chart 2), the chart below (chart 4) reveals much higher levels of confidence in major multi-national companies when compared to domestic businesses. But it is a mixed picture: in Mexico and Brazil confidence in national companies is significantly higher than for multi-national companies (which is likely to be influenced by the historical dominance of US business in the region), while confidence levels are higher for multi-national companies than for national companies in Malaysia, China, Russia and the UAE.

**Chart 4: Emerging markets in thrall to multi-national companies and global brands**



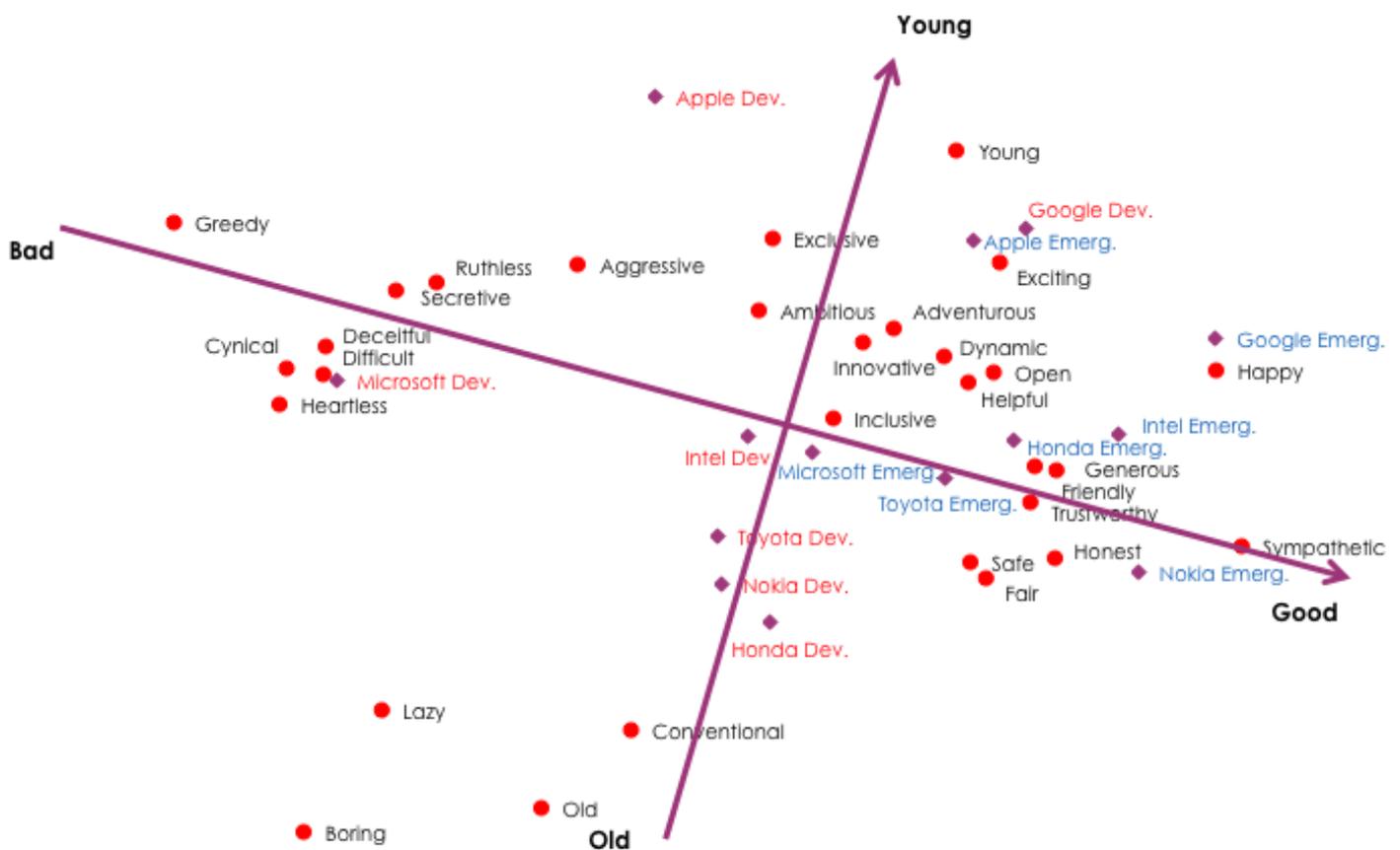
**Source: Trajectory Global Foresight 2011/12**

**Base: 19,205**

This suggests that people in many emerging markets are far more enamoured with global companies and brands. Indeed this reflects the global aspirations and ambitions of the growing consumer class in these countries and their preference for western brands and products over domestic ones. Fashion retail is an area where this is evident: luxury brands, such as Gucci and Louis Vuitton, have been successful in China for some time, whilst mid-range western fashion brands, such as H&M and Zara, have expanded rapidly in recent times (H&M opened 32 new stores in China last year, bringing its total to 78, whilst Zara had 92 stores in 30 Chinese cities at the end of 2011) as the Chinese middle class has grown. This doesn't mean expansion in emerging markets will be plain sailing for global brands and businesses. There is still competition from local brands, whose local knowledge gives them a distinct advantage. In China, home-grown retailer Mettersbonwe is expanding its market share, whilst Alibaba, China's largest e-commerce firm is expecting to sell merchandise worth more than that sold by Amazon and eBay combined this year. In order to rival these local names, global brands and businesses will have to work hard to understand local audiences and cultures. There are many pitfalls to avoid on this journey: Gap for example promotes its 1969 jeans, yet in China this is a year associated with violence of the Cultural Revolution rather than care-free hippy times.

The hypothesis that emerging market consumers feel more favourable towards global brands is confirmed by the correspondence map below, which reveals a stark contrast in the words used to describe several global brands by people in emerging and advanced markets. In emerging markets, people are far more likely to use words such as 'young', 'exciting', 'happy' and 'dynamic' to describe the brands, whereas in advanced markets words like 'deceitful', 'conventional', 'lazy' and 'old' were more common. The only brand we asked about which comes out with mainly positive associations in the advanced world is Google, which is still seen as 'young', 'exciting' and 'friendly'. This reflects the quasi-universal attraction of the new generation of global digital brands, in contrasts with the older (PC era) technology brands such as Apple and Microsoft, which are associated with negative qualities in advanced markets (the dynamics of the Apple v Microsoft story is of course a tale in itself).

**Chart 5: Feelings towards global brands**



Source: Trajectory Global Foresight 2011

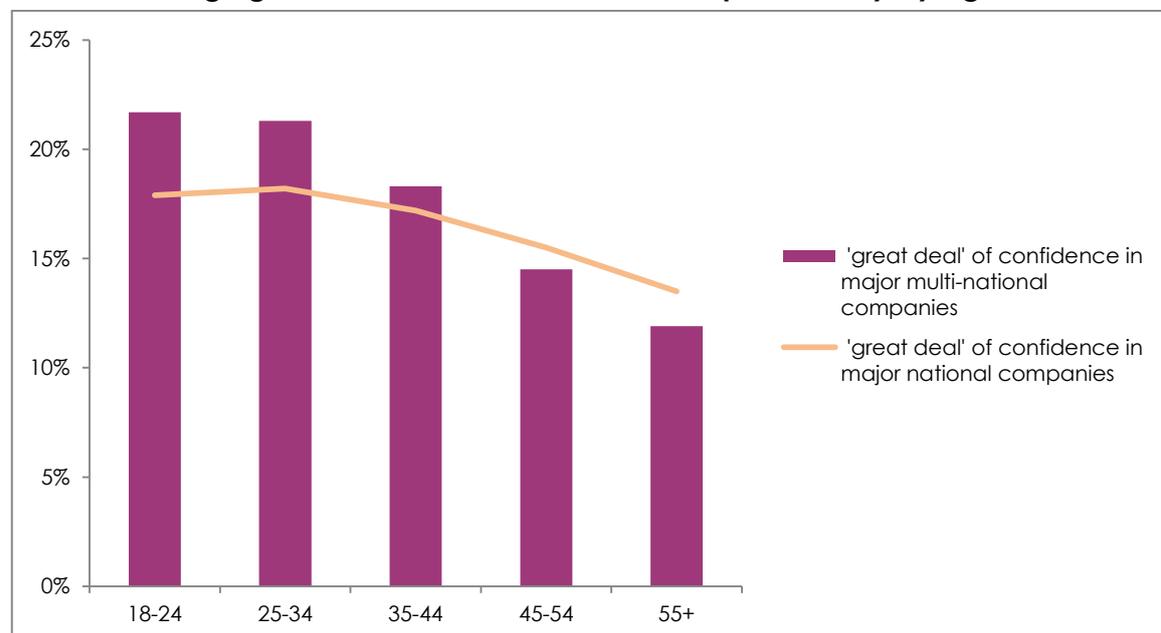
Base: 5,060

While demonstrating a clear divide between advanced and emerging markets in terms of their attitudes towards global brands (at the current time),

this correspondence map adds to a complex picture within emerging markets: people there are more likely to prioritise their own country and have a domestic outlook (see table 1 and chart 2), and yet, at the same time, they are more likely to be attracted by global brands. This picture is further complicated when analysing different age groups within emerging markets (see chart 6). Those below the age of 44 are more likely to have a 'great deal' of confidence in major multi-national companies than in major national companies, whereas the reverse is the case for those aged 45 and over.

This suggests that younger generations in emerging nations, driven by increased engagement with the developed world (through television, the internet, social media, sport, cinema and advertising) and the resultant western-facing social aspirations, are significantly more susceptible to seduction by global brands than their older counterparts. Global companies and brands will therefore need to study their target market carefully when planning strategies for the emerging market consumer. Where a brand wants to appeal across this age divide, they will need to harness emerging markets' sense of national spirit, whilst maintaining a global image. Partnerships with local firms, who better understand local cultures and their unique nuances, such as the recent deal between Tata and Telefonica can be an effective way of achieving this.

**Chart 6: Emerging markets' attitudes towards companies vary by age**



**Source: Trajectory Global Foresight 2011/12**

**Base: 19,205**

## Conclusion

Overall it is clear that 'we live in interesting times' globally and that the recession has significantly redistributed growth opportunities for many sectors. Consumer price sensitivity can be juxtaposed with burgeoning nationalist sentiment and changing measures of value to complicate the picture.

The rapid growth in emerging markets over recent years juxtaposed with relative economic decline in the developed world has significantly changed the international growth map for global brands. Initial approaches to globalisation, predicated on the cost-effective servicing of developed markets, and often associated with toxic production practices on developing nations, is in urgent need of a refresh as these very markets become the focus for future growth and development. We are already seeing the emergence of global production partnerships as a badge of honour for brands.

Conversely we are seeing the emergence of a new breed of emerging market national champions as global brands in many sectors (to name a few examples: Tata, Lenovo, Huawei, HTC, Infosys, LG). These companies face a new set of marketing challenges to acceptance in many markets and sectors.

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This Trajectory is driven by data and thinking from Trajectory's Global Foresight service (TGF) which covers 20 countries. The service provides analysis on the trends driving consumer and citizen behaviour - what they are, why they are important and where they are heading. All of the content is supported by research amongst over 40,000 people per annum.

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