

THE MODEL OF THE BIG BRANDS, CHALLENGED BY EMERGING

Posted on 15/07/2016 by Naider



Large multinationals in the food industry, which own some of the world's most recognizable brands, are being challenged by smaller brands, according to a recent article by [The Economist](#). The competitive advantages afforded by their large size, access to a large business network, and the monetary power to invest in television advertising are still important, but they are no longer what they used to be.

Smaller, emerging brands find lower barriers to entry: they can outsource production and advertise and distribute online until they make a name for themselves. Regarding television advertising, it no longer has the same impact, consumers know about products and give their opinion about them on social media. But the main problem for big brands, points out The Economist, is that they don't know how to keep up with changes in the consumer market.

In Western countries, consumers have the option of going for private label or distributor brands if they want a basic and cheap product, and it is detected that when they want something more special, they may not go for a traditional well-known brand, but for smaller brands that convey more confidence or satisfy some other type of concern - organic, natural, nearby products, etc. -. In countries with developing economies, it is observed that, if before consumers assumed big Western brands as superior, every day they are betting more on their own brands that know their tastes and needs better.

According to a joint study by BCG and IRC, big brands have lost 3% market share in the US between 2011 and 2015, and Nestlé, the world's largest food company, has failed to deliver for three consecutive years their sales target of 5-6% growth.

How do large multinationals respond? Strategies underway include focusing efforts on fewer established brands, cutting costs to increase margins, and acquiring smaller, start-up companies to handle marketing and distribution rather than come up with new products themselves.

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