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Challenges and opportunities for marketers in the emerging markets

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ABSTRACT

With increasing importance of the emerging markets in the global economy, there is growing interest among marketing researchers and managers to understand the differences between the consumers in the developed and emerging markets as well as the challenges and opportunities posed by these differences for both local and foreign marketers in these emerging markets. However, most recent research on consumer behavior and marketing strategy in the emerging markets uses concepts and theories developed and tested in the developed markets. Hence, it is not clear if these studies reflect the real picture of the consumers and marketers in the emerging markets by looking through the lens of developed markets. This special issue consists of twenty six papers, categorized along three broad themes (comparative marketing strategy, comparative consumer behavior, and emerging markets perspective), which not only extend the growing research on this important topic but also push the agenda for making the field of marketing into a truly global discipline, by not just merely replicating established theories and models but also identifying the limitations of the existing theories and extending these to provide fresh insights. This editorial also presents some useful directions for future research on this topic.

1. Introduction

‘Emerging Markets’ is a popular term now but it was introduced in 1981, by Antoine van Agtmael, an economist at International Finance Corporation (IFC), to represent a set of countries with promising stock-markets that could grow rapidly with investments (Economist, 2017). Since then, the scope of emerging markets has expanded, to include all those lower-income but rapid-growth economies that are using economic liberalization as their primary engine of growth (Hoskisson, Eden, Lau, & Wright, 2000). Emerging markets fall into two broad groups: the developing countries in Asia, Latin America, Africa, and the Middle East, and the transition economies in the former Soviet Union and China (Hoskisson et al., 2000). Interestingly, despite making significant economic and social progress, most emerging markets still continue to suffer from periodic financial crises, credit defaults and economic slumps, hence there is a risk that they may remain ‘emerging’ and not achieve the same status as the ‘developed’ markets (Economist, 2017).

Early research on emerging economies focused mostly on the differences in the business and management strategies between developed and emerging markets, using diverse theoretical perspectives, such as institutional theory (Kirca, Fernandez, & Kundu, 2016), transaction cost theory (Brouthers & Brouthers, 2003), resource-based theory (Bortoluzzi, Chiarvesio, Di Maria, & Tabacco, 2014), and agency theory (Wright, Filatotchev, Hoskisson, & Peng, 2005). In the meantime, marketing researchers have also been interested in the emerging markets despite “obstacles and technical difficulties in applying research techniques in less-developed countries” (e.g., Boyd Jr, Frank, Massy, & Zoheir, 1964). However, with recent advances in information and communication technologies that have flattened the world and brought consumers and marketers around the world closer to each other more than ever (Friedman, 2005), there is a renewed interest among marketing researchers to understand the differences between the consumers in the developed and emerging markets as well as the challenges and opportunities posed by these differences for both local and foreign marketers in these emerging markets (Guo, 2013; Kotabe & Kothari, 2016; Sharma, 2011; Sheth, 2011).

Notwithstanding the above, most concepts and theories in consumer research and marketing strategy have been developed and tested in the existing developed markets and some of these have been replicated in the emerging markets. We argue that it is a very limited perspective because it colors our perceptions about the consumers and marketers in the emerging markets as seen through the cultural-institutional lens of the typical developed world context in which major marketing journals and their contributors operate. This is in stark contrast to the professional marketing community and multinational companies who are able to keep pace with the rapidly globalizing world economy, resulting in a regular exchange of consumer and market knowledge from the developed to the emerging markets and vice versa.

Based on the above, there seems to be a clear need to not only further extend but also develop a comprehensive conceptual framework to guide and structure the rapidly growing research on the challenges and opportunities faced by the marketers in the emerging markets. Moreover, it seems important for the future of marketing discipline that we reflect the real picture of the consumers and the markets in the emerging markets because they represent a large share of the world's population as well as economic growth. A stronger focus on emerging markets will thus help us push the theoretical boundaries of the marketing discipline and also provide significant practical benefits and managerial implications (Burgess & Steenkamp,

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2013).

In this special issue of the Journal of Business Research, we aim to push the agenda for making the field of marketing into a truly global discipline, by attracting not just mere replications of established theories and models in the emerging markets, but fresh attempts to identify the limitations of the existing theories and to develop new or revised theories of consumer behavior and marketing strategy. We also note the relative paucity of research in the business-to-business (B2B) context in the emerging markets and address this gap in this special issue. In the next section, we categorize and briefly describe the twenty six articles included in this special issue, contributed by researchers with diverse backgrounds (e.g., consumer behavior, marketing strategy and econometric modeling) from all over the world.

2. Challenges and opportunities for marketers in the emerging markets

Early researchers tried to differentiate countries on the basis of simple criteria, such as their level of economic development (Rostow, 1960) or their size and the development of their middle classes (Dichter, 1962). Subsequent researchers developed more complex typologies with a diverse range of micro and macro variables (Samli & Hassan, 1992). For example, researchers have identified three factors that shape consumption values of the consumers, which include level of economic development, political ideology, and business training and philosophy (Tse, Belk, & Zhou, 1989). Researchers also argue that the basic lack of marketing infrastructure in the emerging markets (Arnold & Quelch, 1998) has led to low market penetration, small market shares and poor profitability of foreign players in these markets (Dawar & Chattopadhyay, 2002). Others recommend that multinationals should follow a balanced approach in the emerging markets, by focusing on both economic and social aspects of their operations, in order to maintain sustainable growth and avoid any pitfalls (Zhao, Park, & Zhou, 2014).

In this context, recent research has highlighted the need to develop unique marketing strategies to address these challenges in order to help these markets realize their true potential (Kumar, Sunder, & Sharma, 2015; Pels & Sheth, 2017; Sheth, 2011). However, it is also interesting to note that the differences among the consumers in the developed and emerging markets are diminishing with time as the income levels and living standards rise in the emerging markets, resulting in higher levels of consumerism (Tse et al., 1989), materialism (Sharma, 2011) and cultural convergence (Jeon, Meiseberg, Dant, & Grünhagen, 2016), and a concomitant rise in the number of middle class consumers (Kravets & Sandikci, 2014). These new changes have resulted in calls for more conceptually sound, empirically robust and practically relevant research, in order to help us understand how the consumers and marketing mix elements in the emerging markets are similar to or different from those in the developed markets (Burgess & Steenkamp, 2006). This special issue identifies and describes three main research streams on the challenges and opportunities for marketers in the emerging markets, as described in more detail in the next section.

2.1. Comparative marketing strategy

This research stream explores the differences in the impact of marketing strategies in the developed and emerging markets, such as advertising appeals (Zarantonello, Schmitt, & Jedidi, 2014), internet and social media (Berthon, Pitt, Plangger, & Shapiro, 2012), loyalty management programs (Kumar, Sharma, Shah, & Rajan, 2013), product innovation (Sok, O’Cass, & Miles, 2015), innovative services and firm capabilities (Bello, Radulovich, Javalgi, Scherer, & Taylor, 2016). However, most of these studies focus on a specific context and as a result, there is still no broad conceptual framework to guide these differences. For example, Zarantonello et al. (2014) use a dataset of 257 television commercials from 23 countries to show that experiential (emotional) appeals have a stronger relationship with the components of brand knowledge in countries with medium and high gross domestic product (GDP) whereas global appeal has a stronger relationship with the components of brand knowledge in countries with low GDP. Similarly, Bello et al. (2016) study the impact of innovative services and firm capabilities on the performance of professional service firms from emerging markets. This special issue addresses the need for broader conceptual frameworks to explain the differences in marketing strategies between the developed and emerging markets, with two invited articles (Sinha & Sheth, 2017; Varadarajan & Kaul, 2017) and six others (Agarwal, Chakrabarti, Brem, & Bocken, 2017; Anning-Dorson, 2017; Cherrier, Goswami, & Ray, 2017; Heinberg, Ozkaya, & Taube, 2017; Kadic-Maglajlic, Boso, & Micevski, 2017; Roy, Balaji, Soutar, Lassar, & Roy, 2017).

In the first invited article, titled “Growing the Pie in Emerging Markets: Marketing Strategies for Increasing the Ratio of First-Time Users to Non-Users”, Sinha and Sheth (2017) identify emerging markets as the growth engines of the world and argue that many multinationals flounder in these countries due to the challenges posed by their five key market characteristics: market heterogeneity, sociopolitical governance, unbranded competition, chronic shortage of resources and inadequate infrastructure. Reducing the adverse impact of these unique characteristics can help grow the market size by converting non-users into first-time users using eight marketing strategies, which include improving affordability through democratizing and upscaling the offer; accessibility through managing and reinventing reach; acceptability through cultural and functional fusion; and awareness through building brand identity and engaging stakeholders. Achieving these customer-centric outcomes can help multinational companies overcome the challenges faced by them in the emerging markets and realize their true potential.

In the second invited article titled ‘Doing Well by Doing Good Innovations for Emerging Markets’, Varadarajan and Kaul (2017) define the notion of Doing well by doing good (DWDG) innovations, as “the implementation of new products, processes and practices, and modifications of existing products, processes and practices by firms that benefit society by contributing toward alleviation of specific social problems, and enhancing performance of firms”. Social problems may arise from gaps in the quality and quantity of public goods (e.g., education, electricity and water) as well as gaps in affordability, awareness, availability, and adoptability of private goods. This invited article also offers a framework to organize potential opportunities for DWDG innovations, which could help alleviate specific social problems in the emerging and less developed markets, in terms of both short and long-term as well as quantifiable and non-quantifiable benefits to the society and to the firm.

The next article by Agarwal et al. (2017), “Market Driving at the Bottom of the Pyramid (BoP): An Analysis of Social Enterprises from the Healthcare Sector” continues the above theme by addressing the lack of research on external dimensions of market driving for the purposes of ‘societal change’ in both developed and emerging markets. This paper uses a multiple case-study method to explore how social enterprises at the Bottom of the Pyramid (BoP) in healthcare sector could use their regulative, normative and cognitive legitimacies to trigger societal change in the emerging markets. The authors argue that such market driving through societal change can lead to the construction of new and more inclusive healthcare services in the emerging markets.

On a related theme, Cherrier et al. (2017) draw on institutional complexity, social movement and paradox theories, to examine the opportunities for social entrepreneurship using an ethnographic case study of a social venture in India, in their article titled, “Social Entrepreneurship: Creating Value in the Context of Institutional Complexity”. The authors find that institutional complexity manifests itself in the form of overlapping and/or

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