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Marketing in Emerging Markets: A Theoretical Study

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ABSTRACT

In this modern era, companies cannot survive without having strong marketing strategies. In this regard, present research reveals theoretical findings regarding the challenging issue of marketing in Emerging markets. In this study the main attributes of emerging markets are highlighted i.e. variability of infra-structure, variability of customers, variability of income and low rate of labor. Considering these attributes methods and techniques of marketing i.e. segmentation of market, distribution channels, price, product, advertisement and communication with customers are discussed in the context of emerging markets.

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Introduction

In 1980s “Newly industrializing countries” was used for tremendously growing and liberalizing countries i.e. countries from Latin America and Asia Region. Now the term “Newly industrializing countries” has been replaced with a wide scope term “emerging market economies”.

Emerging markets are those that are growing rapidly, having the potential to become developed market in future but in present they cannot fulfill the criteria of developed markets. First of all this term was used in 1970s and emerging markets are characterized as low-income and tremendously growing markets with huge liberalization and application of market-based methodologies. The economist of World Bank Antoine Van Agtmael introduce this term. Emerging markets sometimes also referred as emerging economies. These markets are ranked by using nominal or adjusted GDP producing by the country in which they exist. The comparison is made by using the GDP of developed countries like US. These markets are in transitional phase between developed and developing criteria. Ian Bremma defined it as “A country where politics matters at least as much as economics to market”. These markets are situated in Eastern Europe, Middle East, Russia, Latin America and south-East Asia (IFC, 1999). There are two categories of emerging markets i.e. some markets are in developing form like Pakistan and some are in transitional form like China (Hoskison *et al.* 2000).

Marketing is an art of convincing, attracting and communicating with customers by following the objective of selling products and services to them. The oldest form of marketing was “WOM” (words of mouth). Customers use words to express their opinion and experience about a specific product. Now it is an era of Customer-oriented marketing. Enterprises have to keep in touch with customers to know about their taste, culture, festive and choice. Now customers are more conscious and aware about their needs and choice. There are many forms of marketing like profit orientation marketing and social marketing.

Marketing is an exchange process between customer and entrepreneur. For the highest sales volume and profit, multi-national firms, private and public firms have to formulate and implement well-suited marketing strategies, methodologies and techniques.

Significance of Study

Marketing in emerging markets has crucial importance as emerging markets have rapidly growing population and economic activities. Without targeting the emerging markets multi-nationals cannot earn highest profits. Investment in an emerging market is appropriate to get reasonable return. Formerly economies were working under the supervision of government. Government formulates rules and subsidies for economies (Kornai, 1986) but with the popularity of private enterprises transition economies came into being. Every emerging economy has different political environment, infrastructure, income and size of economy so it is very significant to formulate and implement different and well-suited marketing strategies in emerging economies. Uncertainty in political environment, economic shocks, poor legal structure of markets, corruption, bribery, shortage of skilled labor have increased the risk for domestic as well as for foreign entrepreneurs (Nelson *et al.* 1998).

Objective and Pattern of Study

Present study is conducted to access the behavior and approach of customers belonging to emerging markets. The objective of present research is to highlight the strategies, methodology and techniques of enterprises to target the emerging economies to get optimal returns on theoretical basis. In last decade many multi-national companies move towards emerging economies with motive of increasing sales, generating returns and establishing a position. The marketing strategies deployed in America and Europe by enterprises is not beneficial for customers of emerging markets. To conquer a market it is essential to conquer its local customers. The needs of Pakistani, Indian and Chinese customers are much different from American customers.

Mostly developed markets are divided into finer segments, rapidly introduced by innovative products and strong network of distributors make the access easy to customers. But in emerging markets this simple strategy is not sufficient. One has to formulate emerging markets marketing strategy according to norms, tradition and needs of local customer. The serious way of cater the emerging market is to cater its customers first.

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In present study the relationship between characteristics of emerging markets and marketing techniques is demonstrated. Broadly speaking there are four major characteristics of emerging markets i.e. variability in infra-structure, variability in customers, low income, low rate of labor in association to marketing segmentation, product, price, distribution and advertisement.

Methodology & Techniques

Variability in Infra-Structure

Emerging markets have different infra-structure as compare to developed countries. So, marketing analyst should consider the variability of financial, telecommunication, transportation, power and fuel. For instance a bank cheque may take 3 to 4 days or more days for clearance due to lack of financial institutes. Rain-fall or storm may crack down the system of telecommunication. Poor transportation may delay your delivery of products into specific areas or it takes long time to reach at a desired point. Shortage of power like in Pakistan may cause shut down of manufacturing unit and reduce supply of products.

Marketing techniques

Segmentation

In this level segmentation should be made according to facilities of regions and areas. Developed areas, developing areas and under developed areas or it can be divided as rural and urban areas. Special attention should be paid to developing and under-developed areas or rural areas as there can be many hurdles in these areas in term of distribution of product and communication with customers.

Strong Distribution channels:

There is lack of super stores and chain stores in emerging markets. The large volume of trade is carried out through retailer shops. Rural and urban retailers work on different principles. Urban retailers have several brands of all products and companies deliver goods to them on regular time intervals sometimes 3 to 4 times in a day. But rural retailers are not well-aware and they usually have only one brand. It is difficult to deliver goods in rural areas but it is important too. So, companies should appoint their agents to delivery maximum goods in rural areas to increase their sale volume and profits.

Product, Price and Advertisement

Customers want quality products in emerging markets. They are ready to pay for products that maintain their quality consistently. By setting high prices a sharp increase in sale volume can be seen but in emerging markets at entry point to attract the customers and achieve sustainable sales volume low prices are required. In emerging markets people have their own mind sets about products so heavy advertisement is needed to attract customers.

Communication with customers

Customers in emerging markets normally shop at daily basis. So, every day they have chance to quit a product and switch to another product. So, it is crucial to keep in touch with customers. In urban areas electronic, print and now social media plays a vital role in establishing relations with customers.

But in rural areas it is difficult to communicate with customers because majority of customers are illiterate. They don't have televisions, print and social media. Company's van concept is better to introduce product and its features in rural areas. Documentary can be shown in rural areas. Door to door visits are helpful to target customers. Advertisement on radio is beneficial in this regard. Pamphlets, posters and different product promotion ceremonies like concerts are an important

tool in urban areas. For instance co-cola introduce Coke-studio singing program in many countries.

Pro-active strategies

In emerging markets, market analyst should be pro-active. They should have strategies to meet the uncertain environment of emerging markets like rain-fall, storms, political change, terrorism and social-economic factors. Emerging markets have problem of political influence and in election days shutter downs are faced in these markets.

Variability of Customers

Companies have to target on customers. The customers of emerging markets can be categories according to their education level, rational thinking, habits, customs and fashions. Education wise customers can be divided into illiterate, primary, middle, matriculation, intermediate, bachelors, masters and post masters. At all level of education customers have different perception, understanding and opinion about brands and products. Some customers have rational thinking they shop rationally and want high savings. Some customers are brand conscious and want to have high brands as a symbol of honor and grace. Some customers behave irrationally and have low rate of saving. Normally in emerging markets people are influenced by their moods, customs, trends, fashions and festivals. People also like to follow their friends and family in selection of products and brands.

Segmentation

In this category segmentation should be according to education level, rational or irrational thinking, customs, fashions and festivals. Rural and urban people have different level of education, perception, thinking, fashion and norms.

Distribution Channels

Literate customers like to shop top brands from branded outlets. Branded outlets in big cities should be established with all available products. Further, rational customers like to shop latest variety near their houses. So, products should be available at all stores of country. Branded products should approach rural areas and deliver their products there by establishing factory outlets. Personal sales in rural areas are also attractive.

Product, Price and Advertisement

Educated and rational customers want durable, well-designed, latest and multi-feature products. They are attracted from packing and different colors. For instance highly qualified people like delicate and light color products as compare to illiterate people. They like to shop good quality products. So in emerging markets, companies should focus on quality of product. Price of product can be settled at different range like rational customers like discounted prices as it promotes their saving habits. Irrational customers like high prices products and mostly they are price conscious. At the festivals and national celebrations people belonging to emerging markets are willing to high prices to buy quality products. Customers in emerging markets like India are controlled by their emotions and sentiments.

So, in emerging markets customers can be attracted by multiple advertisements. For instances at every festival there is different advertise campaign needed for product.

Communication with customers

Educated customers are much interested in communication with companies in shape of feedback. They like to connect with their favorite brands on social media. So every company should have their page on different social media sites. Questionnaires, inquires and interviews can be

conducted to know about the sentiments or opinions of customers. To convince illiterate customers, companies should send their agents with free samples to them to communicate about products. They should maintain stalls and free information centers for illiterate consumers.

Different Income group

Emerging markets have an attribute of low income. The residential of emerging markets mostly have low incomes. The customers of emerging markets can be described as government employees, semi government employees, private employees, monthly, daily and hourly wage employees.

Segmentation

In this category segmentation should be made according to level of income i.e. Low income customers, medium income customers and high income customers. Marketing strategic managers should focus on each group individually.

Distribution

Products should be distributed at different point of sales mostly at retailer shops in all areas and region of countries. Besides that it should be distributed at super stores, chain stores and big shopping plazas.

Product, price and advertisement

Low income people focus on basic necessities of life. Their main priority is to full fill their basic needs. Companies should focus them for the sale of basic goods like flour, bread, edible oil and pulses. Customers with medium income focus on necessities and to some extents luxuries. The companies of television, furniture and clothing etc should focus them. High income people in emerging markets are keen of branded cars, jewelry and antiques as a symbol of status. The price of product for low income should be settled at low level. Moderate prices for medium class and high prices for elite class should be set. Different advertisement modes are effective for different classes. High income group should be attracted by glamorous advertisement. Medium class group should be attracted by using electronic and printed media. And low income group by the retailers who keep the product of company.

Communication

Direct communication can be done by high income people to get their feedback and response on luxuries products through E-mail, phone or customer service agent. Medium class people can be connected through telephone, questionnaire and electronic media. Low class people are well connected with retailers, so company should appoint retailers as their brand or product sellers and to get feedback about product, face to face communication can be done with these customers.

Low rate of labor

In emerging markets, the labor is very cheap and it has a tradition trend of growing vegetables and manufacturing different products themselves. Customers want to buy product when it cannot be made by them. For instance, companies offer products that reduce time and effort of humans. But in emerging markets due to large population, poor planning, lack of education and lack of job opportunities compel people to do work at low rate. For instance customers do not use cleaning machines as they are expensive and house cleaning labor is cheap in emerging countries.

Segmentation

Segmentation should be done differently in this category. As people have option of low labor for instance instead of buying washing machine people hire labor to wash clothes. They the cost of time is low for people in emerging markets so

products are to be positioned in a trendy and efficient manners so that it can appeal people to buy washing machine and hire a labor to operate it.

Distribution

Distribution by using all heavy means of distribution like machinery needs huge amount of capital. In this way the cost of product goes up and it should not attract the customer of emerging markets. Small sale points, individual sale gents and small retailer shops are best to achieve the desired sales volume.

Product, price and advertisement

Customers in emerging markets have to decide whether they want specific product or want to manufacture it. In emerging markets, transportation, labor and material cost is low, so people can easily make products at home instead of buying from the market. They have to decide that available product is available at low rate as compare to their own cost of manufacturing? The quality of product is extensively good and up-to-mark. The product has unique features that cannot be obtained by making the product at home. Low prices should be set in emerging markets. Media advertisement is far expensive so personal visits are more beneficial in this regard.

Communication

The cost of communication with electron, printed and social media is intensively high as compare to the cost of door to door visits, small points of conversation and personal sale visits are highly effective in emerging markets.

Conclusion

Multi-national companies are not able to cater billion of emerging market customers. Emerging markets are different from developed markets. Most of multi-national companies have experience of developed markets and they are trying to work on same footing in emerging markets. But emerging markets have their own attributes. The highlighted attributes in this study are variability in infra-structure, variability in customers, different income groups and low rate of labor. While considering these attributes marketing techniques like segmentation, distribution, price, product, advertisement and communication with customers is described in detail. On the theoretical basis it is concluded that low prices are suitable for emerging markets so that companies should minimize their cost of production. Products with consistent quality and not easily manufactured at home at low cost are attracted in emerging markets. Different and mix sources of advertisement and communication are appropriate in emerging markets i.e. through electron, print, social media, door to door visits, personal sales and small conversation centers. Different attributes of emerging markets need to address differently in term of segmentation. Segmentation can be made on the basis of rural or urban areas, educated or illiterate customers, rational or irrational customers, low income, medium income or high income and segment of cheap labor or costly labor. Mix distribution strategies and techniques should be used in emerging markets.

Limitations of study

❖ Present study is based on theoretical facts about attributes of emerging markets and marketing techniques. Practical facts can be different from present findings.

❖ Present study is based on the personal concepts and observations of researcher, these observations can be changed in different circumstances.

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