

Chapter 104

The Challenge of International Market Segmentation in Emerging Markets

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ABSTRACT

Increasing paradoxical effects of globalization resulted in the increased homogenization and heterogenization of international markets. Globalization with its varying effects also increased the significance of international market segmentation over the last few decades. Despite the increased presence and usage of international market segmentation, in recent times, the rise of emerging markets have challenged the concepts and methods of international market segmentation. In order to address key issues of international market segmentation in emerging markets, this study briefly examined and assessed foremost conceptual and methodological issues of international market segmentation in emerging markets. Suggestions and future research directions are also provided.

1. INTRODUCTION

The globalization process is shifting the appearance of markets progressively (Burgess & Steenkamp, 2006, 2013). Globalization has covered both opportunities and challenges with it (Manrai & Manrai, 2001; Burgess & Steenkamp, 2013). As markets globalize, international market segmentation becomes a critical area for developing, positioning, and selling products around the world (Kumar & Nagpal, 2001), it is even more crucial

for emerging markets. Along with the increasing globalization, emerging markets have become so strategic and important for marketers for the last decades (Greenland, 2009; Buerki, Nandialath, Mohan, & Lizardi, 2014). Once emerging markets have a periphery place in marketing practices; however, now, this place has advanced to a core one (Sheth, 2011). Not only the economic and political upsurge of emerging markets from Africa, Asia, Eastern Europe and Latin America, but also their greater inhabitants and enormous

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lands make them gradually significant for the world economy (Buerki, Nandialath, Mohan, & Lizardi, 2014). Yet, Moore, Rugman, and Rugman (2001) stated that despite the myth of globalization, global companies focused on doing business in North America, European Union, and Japan, or namely Triad countries. Conversely, multinational companies cannot ignore emerging markets any longer. Emerging markets have changed the style of economic growth and converted developed countries dominated the world to a truly multipolar one (Schlager & Maas, 2013). With the increase of growth potential and sourcing opportunities (Sakarya, Eckman, & Hyllegard, 2007), it has become so strategic that for the future success of multinational companies, multinational companies have to be successful in emerging markets (Burgess & Steenkamp, 2006). Senior managers of several multinational companies emphasize the significance of existing in emerging markets. However, operating in emerging markets does not guarantee success itself, there is both success and failure examples in emerging markets (Buerki, Nandialath, Mohan, & Lizardi, 2014). Additionally, comparative research on emerging markets is quite costly, and emerging markets represent divergent nature (Sakarya, Eckman, & Hyllegard, 2007). Based on these, multinational companies have to be careful while operating in emerging markets and this starts from the very beginning of business such as market segmentation.

Emerging markets provide important avenues to multinational companies to grow in the world economy. Multinational companies have now shifted their focus to emerging markets (Arnold & Quelch, 1998; Greenland, 2009). However, emerging markets are the main arena of globalization. As a result, rapid economic developments and market fluctuations are among the top significant challenges of emerging markets (Manrai & Manrai, 2001).

Marketing is mostly based on circumstances; therefore, the effects of emerging markets on existing marketing strategies and practices should

be rechecked (Sheth, 2011). For instance, a single marketing strategy for all emerging markets is questionable. This is also valid for enormous emerging markets such as China and India; executing a single marketing strategy all over these countries is quite difficult. Moreover, entering and doing business in emerging markets is a quite problematic task for multinational companies (Schlager & Maas, 2013). Sheth (2011) stressed that emerging markets have completely different conditions than developed markets both theoretically and practically. Therefore, in order to remain theoretically and practically relevant for emerging markets, marketers have to reconsider main marketing strategies such as market orientation, market segmentation, and differential advantage and they have to develop new theories, models, and methods. Otherwise, consumers in emerging markets will not respond effectively to the marketing strategies transferred from developed countries (Dawar & Chattopadhyay, 2002).

For these reasons, it is strongly essential to segment emerging markets with different perspectives and approaches; because the future success of multinational companies strongly depends on emerging markets (Burgess & Steenkamp, 2006). The inevitable increase of emerging markets proposes new research opportunities and offers new avenues for marketing theories and practices (Sheth, 2011). Nonetheless, since international marketing research have several unique design and methodological issues, these unique features are not discussed enough conceptually in the literature, yet there exists some studies on methodological issues of international marketing research (Douglas & Craig, 2006). As a branch of international marketing research, this is also evident for international market segmentation, especially for international market segmentation in emerging markets. Conceptual and methodological issues of international market segmentation in emerging markets are not sufficiently discussed in the literature.

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