Market Research in Emerging Countries: Techniques, Processes and Innovations

How research is adapting to emerging market environments

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Market Research in Emerging Countries

Customer behavior in emerging economies poses a challenge to the established paradigms of market research – which is, after all, a discipline which originated in the West. Should the same traditional research models be applied world-wide because human nature is the same everywhere? Or should research approaches be adapted to the much less transparent, heterogeneous and “messy” world of emerging markets?

Emerging economies like Brazil, Mexico, India and China contribute over 30% of world GDP and 70% of the world’s population. Yet they have accounted for over half of global GDP growth since 2001. Understandably, multi-national corporations (MNCs) are falling over themselves to sell in the emerging world. Along with sales comes customer research – a field pioneered in the West. While MNCs understand that the next wave of growth lies in the emerging world, they often force-fit insights and strategies from the OECD\(^1\) into emerging countries, leading to disastrous results.

Examples of how developed world assumptions can be mis-applied to emerging market situations include:

- **Assuming that the same research methodologies should be applied regardless of market maturity** – phone and internet surveying is often the research methodology of choice in the rich world. This is due to low costs and a widespread culture of co-operation with research projects. But in many emerging markets, street intercepts

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\(^1\) Organization for Economic Co-operation and Development – a grouping of the world’s more affluent countries
or other forms of face to face interviews may offer superior value, due to many consumers not entertaining calls on their land-lines and not taking internet research seriously.

**Assuming that change takes place slowly** – in emerging markets the pace of economic growth gets translated into faster development and change in the consumer psyche. As emerging market citizens experience rapid social change and rapid income increases, consumer profiles can evolve much more rapidly than they would in a more stable, rich-country environment. This in turn leads to more brand churn and shorter product life cycles.

**Assuming that the market eco-system is the same everywhere** – emerging markets are characterized by much more unorganized retail industries, irregular value chains, counterfeit products and low-cost options. This is highly relevant to good questionnaire design and interview execution.

*When respondents say “I will definitely buy”, it often means “I may consider buying.”*  

**Assuming that respondents are the same everywhere** – emerging market respondents may display more “politeness” when rating product concepts and brands. This needs to be taken into consideration when analyzing data. For example, when respondents say “I will definitely buy” it often means “I may consider buying.” Levels of education and sophistication about purchasing products may also lag that in rich countries, due to the immaturity characteristic of so many product markets. Moreover some respondents in emerging
markets may hesitate to comment due to a reluctance to “speak out” – in some cases nurtured by the character of domestic education and political systems.

Assuming that emerging markets are too under-developed – the purchasing habits and disposable income of the top income earners in the emerging world’s 1st tier cities may parallel those in the OECD. Moreover emerging markets can leapfrog technology due to their immaturity – for example countries like Indonesia have far more mobile phone lines than land lines, making telephone interviewing increasingly problematic in reaching out to some segments. Some MNCs still struggle to accept how market sizes for seemingly “high-end” products can be larger in some emerging markets than in OECD countries, thanks to domestic producers.

Table 1: Differences between OECD and emerging economies from the market research perspective²

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<thead>
<tr>
<th>OECD Countries</th>
<th>Emerging Countries, e.g. BRIIC</th>
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</thead>
<tbody>
<tr>
<td>Relatively stable politics</td>
<td>Political scenarios sometimes in flux, as seen in the Middle East recently</td>
</tr>
<tr>
<td>Low-growth – more stable buying patterns, longer product life cycles</td>
<td>High-growth – less stable buying patterns, shorter product life cycles</td>
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<tr>
<td>More homogenous - across North America and across EU (due to common legal &amp; regulatory framework)</td>
<td>Less homogenous - multiple ethnic and linguistic groups (especially in India and Indonesia), sometimes more income inequality (especially Brazil/LAR) &amp; hence</td>
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² Market Research: Change Agents, Persistent Research Challenges in Emerging Markets, March 1, 2011
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<th>OECD Countries</th>
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<tr>
<td>Primarily an urban market</td>
<td>Typically ~40% of population still living in rural areas, with large numbers seasonally drifting between urban and rural settings</td>
</tr>
<tr>
<td>Established culture of co-operating with research</td>
<td>Lack of familiarity with research, leading to sometimes misleading responses and occasional suspicion of researchers as potentially leaking private data or being disguised sales persons</td>
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<tr>
<td>Published data is readily available and of a high quality, allowing for more effective sampling and targeting</td>
<td>Published data is either less available and/or of a much lower quality</td>
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<tr>
<td>High-penetration and myriad product categories</td>
<td>Low penetration and absence or immaturity in some product categories</td>
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<td>Relatively few brands due to market maturity and consolidation</td>
<td>More brands, higher churn, more low-priced or substitute products (sometimes from the informal sector)</td>
</tr>
<tr>
<td>Low penetration of counterfeits, more IP protection for content</td>
<td>High penetration of counterfeits (in some categories &gt;80% of market volume), less IP protection for content</td>
</tr>
<tr>
<td>Greater penetration of organized retail and online sales</td>
<td>Much more unorganized retail and less online sales</td>
</tr>
<tr>
<td>Land line, mobile and home internet penetration is high (though sometimes not high-speed internet)</td>
<td>Mobile penetration can be higher than land line penetration, high-speed internet access is typically lower and can be via school or workplace</td>
</tr>
<tr>
<td>Traffic congestion is less of an issue</td>
<td>Traffic congestion is a major issue in many</td>
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big emerging market cities, which poses a challenge for some types of research execution, e.g. Central Location Testing, Focus Group Discussions

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<th>High social media penetration</th>
<th>Lower social media penetration – but this is changing fast</th>
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| Average age is high and rising in EU, Japan and Korea, less so in the USA due to immigration | Average age depends on the country – it is low and will remain somewhat low in some (e.g. India, Indonesia), but is rising quickly in some (e.g. China) |

Research Challenges in Emerging Economies – A Closer Look

Mature markets typically require studies aimed at drawing deep customer insights for product repositioning or a qualitative assessment of perceptions amidst competitive clutter. Such research is common in emerging countries too. But emerging market studies tend to be more about market potential, determination of unmet needs and latent needs of consumers for a hypothetical product-category. This is a function of these markets generally lying at an earlier stage on product life cycle curves.

Moving to the logistics of research execution, market research in rural areas poses a huge challenge due to the travel times and skills required. About 70% of Indians and 52% of Chinese live in rural towns and villages. Nor is internet research necessarily a solution. Unlike farming households in

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3 Market Research: Change Agents, Persistent Research Challenges in Emerging Markets, March 1, 2011
4 The Indian News, Nearly 70 percent of Indians live in villages: Census, July 15, 2011
5 National Bureau of Statistics of China, 2010
countries like Japan and the UK which often have a high living standard and robust internet connectivity, households in rural villages and towns in BRIIC countries contribute to the low broadband penetration rates of these nations - 34% in China and 8% in India for example. This limits the applicability of internet research\textsuperscript{6}.

Alongside these are cultural issues. Among the Chinese, studies show that a phone interview should not last more than 15 minutes. However, surveys typically exceed 20-30 minutes because they involve “ice-breaker dialogue” before the main questions - thereby eroding the respondent’s attention\textsuperscript{7}.

Taboo areas for interviewing in emerging economies include the following:

- **China**: Sensitive questions on religion and history
- **Japan**: Any question that could create even the slightest embarrassment for the respondent, or lead to overt criticism of the client
- **Singapore**: Cold-calling on land lines or door-knock interviews
- **Malaysia and Indonesia**: Questions to female respondents that seem to tread too close to their private lives

\textsuperscript{6} Press release, Internet penetration expected to rise with 3G services roll-out, Feb 23, 2011 and China Internet Watch, China Internet Statistics Analysis, Abridged Version, Aug 2011

\textsuperscript{7} Research Paper, What can and can’t be asked: White Paper: B2B Market-research in China, 2011
One study undertaken in Japan saw initial low interview acceptance rates because potential respondents wished to avoid any possibility of criticizing the client. Only with great persistence were interviewees recruited.8

Language can throw up barriers as well. OECD countries can certainly be multi-lingual - think of countries like Switzerland, Belgium, Spain and Canada. But they rarely approach the degree of linguistic diversity or complexity seen in the largest emerging markets.

India has 18 official languages and thousands of dialects.

China is home to 200 languages and many more dialects which are dissimilar to Mandarin in phonetics and morphology - Cantonese being one of the most prominent ones. These dialects co-exist alongside the national language, which is Mandarin. Even in the middle of a business conversation in Mandarin Chinese, respondents might switch to a local dialect if they wish to discuss something among themselves or something of a less precise nature. India is even more diverse, with 18 officially spoken ‘Scheduled' languages and innumerable dialects which vary with every village and province. For researchers to understand issues deeply, the ability to shift to local dialects is vital.

Figure 1: Linguistic Diversity in China
Source: Chinese Translation Professional

Figure 2: Linguistic Diversity in India
Source: Language Aide
Issues in Business Customer Research

Analyzing the business customer base for B2B products usually involves far more estimation than in the OECD. This is due to the poorer quality of published data, which in turn is linked to lower disclosure requirements and a larger proportion of small and medium-sized firms.

Due to unfamiliarity with research, many companies would also distrust phone or internet research and only agree to face to face interviews, and even then reluctantly.

Social-network based Research – a way out?  

Social media consumption is exploding in emerging markets, as is widely known. In the Middle East, for example, social media played a crucial role in fomenting the so-called Jasmine revolutions that led to regime change in Tunisia, Egypt and Libya this year.

Social-media can help to overcome some of the problems inherent in emerging market research by:

- Tracking buzz around a product/service, thus avoiding asking direct questions
- Aiding in targeting and recruitment of respondents who might otherwise be hard to recruit

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9 Social Small Biz: How to use social media in market research, Mar 15, 2010
Conclusion

Emerging markets are clearly the fastest growing destination for global market research. They also require more frequent, more holistic and more in-depth research given the immaturity yet rapid growth of many product categories - which attracts market entry plays.

The problems associated with market research in emerging markets are far from formidable. The path to overcoming them begins by not blindly importing research models that have worked well elsewhere in the world. It then requires the deployment of fact-based approaches to:-

- **Planning** – deploying customized Market Environment Research to generate baseline information about the business eco-system to inform the design of good methodologies and questionnaires, rather than relying on (often non-existent) published data
- **Recruitment** - using localized forms of persuasion and a big dose of persistence to overcome suspicions about research
- **Methodology choice** – relying more on face to face interviewing and testing, supplemented by phone or internet (including mobile internet) research where relevant
- **Execution** – ensuring linguistic and cultural proficiency of interviewers, while allowing sufficient time and budget to navigate a more challenging physical environment
- **Interpretation** – assessing responses in a culturally grounded manner, while allowing for ethnographic research to overcome the limitations of self-reporting
Not all the differences between geographic regions can be ascribed to the OECD versus emerging market divide. But it does account for a major source of market research failures – and creates an opportunity for the thoughtful, non-dogmatic market researcher to succeed.