

Marketing in emerging markets: a review, theoretical synthesis and extension

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Abstract

Purpose – The purpose of this paper is to provide an overview of theoretical models and studies dealing with the international marketing strategies in emerging markets and provides recommendations for future research based on the review.

Design/methodology/approach – A review of literature on the topic was conducted and a new model is developed as a theoretical extension on the basis of insights from prior research.

Findings – Organizations need to take into account several characteristics of consumers and markets in advance as part of their business plan to select appropriate emerging markets, and decide best possible entry modes.

Originality/value – To the best of authors' knowledge, there is no comprehensive review article on this subject, which provides directions for future research. The authors fill this gap in the literature and suggest strategies with regard to market selection, entry modes, market adaptation, customer relationship development with a new four-dimensional model.

Keywords China, Multinational enterprises, Strategy, Emerging markets, Entry mode, International marketing

Paper type Literature review

1. Introduction

Globalization has led to the proliferation of inter-firm partnerships across national borders (Aulakh *et al.*, 1996; Paul, 2015). Growth of emerging markets offers great opportunities to develop or discover new perspectives and practices in marketing (Sheth, 2011). This century is probably be all about marketing in the emerging markets while the last century was all about marketing in the developed countries (Sheth, 2008; Sheth, 2011). In today's global economy, emerging markets are the growth engines in the world and often the primary targets for doing business (Cavusgil *et al.*, 2012; Burgess and Steenkamp, 2006; Welsh *et al.*, 2006; Fornes and Butt-Philipp, 2011; Nkamnebe, 2011; Bang *et al.*, 2016; Sinha and Sheth, 2018; Paul and Benito, 2018).

Before exploring the research question, we highlight why emerging economies are important in business. An emerging economy is defined as a low-income country, experiencing rapid economic growth because of government policies geared toward economic liberalization (Hoskisson *et al.*, 2000). The most prominently studied emerging markets are China and India (Sheth, 2011; Paul and Mas, 2016; Walters and Samiee, 2003). Sheth (2011) noted that China and India have already emerged as the largest and third largest economies in the world in terms of purchasing power. These countries are the most populous as well as fastest-growing economies in the world, with approximately 37 percent of the world's population (as seen in Table II). China and India showed an average total gross domestic product (GDP) growth of 6 percent from 1993 to 2015, while the USA averaged 2.6 percent in the same time frame[1]. Thus, the economic growth and increased purchasing power have great potential to significantly improve global trade. Some studies

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have pinpointed that those emerging markets provide some of the best opportunities to expand international brands (Kaynak and Zhou, 2010).

The field of international marketing has expanded and is increasingly more sophisticated and complex than in earlier periods (Samiee and Chabowski, 2012; Dahlquist and Griffith, 2015). Over the past two decades, there have been significant increases in global trade and cross-cultural pollination of ideas (Hitt *et al.*, 2016; Paul, 2018). Global business activities have sometimes been negatively viewed by the local people in emerging countries due to the impacts they often have on cultures, human rights and product consumption patterns (Witowski, 2005). Thus, it is essential for firms entering a new market to consider these concerns and focus primarily on consumer needs while ensuring profits from the market. Conversely, Sakarya *et al.* (2007) found positive receptiveness for foreign businesses and products in an emerging country (Turkey).

China's modernization and economic reforms have quickly progressed in recent years (Warner *et al.*, 2004). China and India have emerged as the fastest-growing markets in the world during the last two decades (Chang and Ma, 2015; Paul and Mas, 2016). As global competition intensifies and developing countries grow in purchasing power, firms from developed nations see opportunities for expansion into emerging markets. However, some challenges are specific to emerging countries and must be properly addressed to enjoy success in these markets (Sheth, 2011). Sheth (2011) called for rethinking the marketing perspective and the core guiding strategy concepts while targeting emerging markets as they are distinctly different from advanced economies. Similarly, researchers have developed theoretical frameworks and models which help the firms carry out feasibility studies, select appropriate markets, consider macro-micro level aspects such as cultural, political, economic and legal factors in emerging markets (Ghuri *et al.*, 2003; Mei, 2013; Sakarya *et al.*, 2007; Meyer *et al.*, 2009; Elg *et al.*, 2015; Brenes *et al.*, 2014). However, research gaps remain, as these models have not received due attention. There are many opportunities for researchers to apply these models in their studies using data from emerging countries. Moreover, to the best of the authors' knowledge, there is no comprehensive review article on the topic of international business in developing countries published during the last decade that provides direction for future research. Therefore, the goal of this paper is threefold. First, we review the prior research on international business strategies that could be employed in emerging countries, identify research gaps and set an agenda for future research. Second, we discuss strategies in international business that multinational enterprises (MNEs) from other nations could potentially employ to improve their performance in emerging markets. Third, we develop a new model for firms to succeed in emerging markets grounded in findings from prior research. Thus, this study would serve as foundation work for those who are interested in researching different aspects of international marketing in developing countries which include market entry strategies, networking and social capital development in emerging countries and the process of internationalization.

The paper is organized as follows: methodology is specified in the next section. Section 3 displays a discussion on why emerging economies are essential from a business perspective. It also discusses the foreign market entry mode, with a focus on joint ventures and relationship marketing. Section 4 introduces the theoretical models that describe marketing success in emerging markets. Section 5 discusses how business practices have evolved, followed by a general discussion. The recommendations for future research are presented in Section 6, and the conclusions are given in Section 7.

2. Methodology

This is a literature review, using 71 articles from academic journals included on the Association of Business Schools (ABS), the UK ranking list. This list is more comprehensive and precise than several lists. Table I provides a summary of the journals used and the number of articles pulled from the mentioned journals. Analytical insights from this review

Journal name	No. of articles referenced	Author name (Year)
<i>International Marketing Review</i>	9	Ettenson (1993), Essoussi and Merunka (2007), Javalgi and White (2002), Lee <i>et al.</i> (1993), Samuel Craig and Douglas (2001), Wood (2004), Sakarya <i>et al.</i> (2007), Zhou <i>et al.</i> (2009), Lado <i>et al.</i> (2004)
<i>Journal of Business Research</i>	5	Sharma <i>et al.</i> (2018), Sinha and Sheth (2018), Varadarajan and Kaul (2018), Heinberg <i>et al.</i> (2018), Lee <i>et al.</i> (2018)
<i>International Business Review</i>	4	Kumar and Paul (2018), Helm and Gritsch (2014), Mei (2013), Merchant (2012)
<i>European Journal of Marketing</i>	3	Ellis (2005), Ghauri <i>et al.</i> (2003)
<i>International Journal of Hospitality Management</i>	3	Altinay (2006), Chang and Ma (2015), Rosado-Serrano and Paul (2018)
<i>Journal of International Business Studies</i>	3	Aulakh <i>et al.</i> (1996), Sharma (2011), Meyer and Peng (2016)
<i>Management and Organization Review</i>	2	Luo <i>et al.</i> (2012), Chen <i>et al.</i> (2013)
<i>Journal of Global Marketing</i>	3	Albaum <i>et al.</i> (2003), Lages (2000), Kaynak and Zhou (2010)
<i>Journal of Marketing</i>	2	Johnson and Tellis (2008), Sheth (2011)
<i>International Journal of Emerging Markets</i>	3	Alon <i>et al.</i> (2010), Nkamnebe (2011), Fornes and Butt-Philipp (2011).
<i>Long Range Planning</i>	1	Meyer and Thu Tran (2006)
<i>Journal of Public Policy & Marketing</i>	2	Qu and Ennew (2005), Witowski (2005)
<i>Management International Review</i>	2	Abramson and Ai (1999), Zeng <i>et al.</i> (2013)
<i>Journal of Macro marketing</i>	1	Peterson and Elkici (2007)
<i>Academy of Management Journal</i>	2	Hoskisson <i>et al.</i> (2000), Cuervo-Cazurra and Dau (2009)
<i>Journal of International Management</i>	2	Li <i>et al.</i> (2012), Akbar <i>et al.</i> (2018)
<i>Marketing Intelligence & Planning</i>	1	Appiah-Adu (1998a)
<i>Journal of Consumer Marketing</i>	2	Chan and Cui (2004), Wang and Chen (2004)
<i>Asia Pacific Journal of Marketing and Logistics</i>	2	Sengupta and Chattopadhyay (2006), Paul (2015)
<i>Journal of International Consumer Marketing</i>	1	Cui (1999)
<i>Journal of Strategic Marketing</i>	1	Bang <i>et al.</i> (2016).
<i>Journal of International Marketing</i>	2	Walters and Samiee (2003), Czinkota and Ronkainen (2003).
<i>Asia Pacific Bus Review</i>	1	Warner <i>et al.</i> (2004)
<i>Harvard Business Review</i>	1	Ghemawat (2001)
<i>Journal of Academy of Marketing Science</i>	1	Samiee and Chabowski (2012)
<i>Journal of Operations Management</i>	1	Hitt <i>et al.</i> (2016)
<i>Strategic Management Journal</i>	1	Meyer <i>et al.</i> (2009)
<i>Journal of East West Business</i>	1	Paul and Mas (2016)
<i>Journal of Services Marketing</i>	1	Lovelock (1999)
<i>Multinational Business Review</i>	1	Johansson and Leigh (2011)
<i>Journal of Small Business Management</i>	1	Welsh <i>et al.</i> (2006)
<i>Agribusiness</i>	1	Dijkstra <i>et al.</i> (2001)
<i>Journal of Consumer Behavior</i>	1	Zhou and Wong (2008)
<i>International Journal of Research in Marketing</i>	1	Burgess and Steenkamp (2006)
<i>Asian Business & Management</i>	1	Horn <i>et al.</i> (2010)
<i>The Academy of Management Executive</i>	1	Peng (2001)

Table I.
Summary of articles
included in this
review

were derived based on the findings of the studies. The time chosen for this review was 1993–2018 as this period witnessed the entry of many foreign firms into emerging countries using different entry modes such as exporting, licensing, international franchising, strategic alliances, joint ventures and foreign subsidiaries.

Following well-established guidelines for review articles (Canabal and White, 2008; Paul *et al.*, 2017; Paul and Rosado-Serrano, 2019), an extensive search was conducted on EBSCO, ProQuest and Google Scholar, using the following keywords: marketing in emerging/developing economies/markets/countries, doing business in emerging countries, international business in emerging markets, export and market entry in emerging countries and MNEs in emerging countries. (A word cloud of these keywords are given in Figure 1.) In the next round, a check is there to find if the journal is included in the ABS (the UK) list or not in the subject areas of marketing, international business and management.

The most relevant articles were selected based on if they were deemed useful by the researchers to answer the question, “What international marketing strategies should firms use in emerging economies?” The articles selected for this review include both conceptual and empirical research. The conceptual research provides theoretical value for the development of marketing recommendations, while practical work offers more concrete evidence to support the theoretical propositions made.

Following prior research, to establish the criteria for article selection pertaining to emerging markets in our sample (Jormanainen and Koveshnikov, 2012; Paul and Benito, 2018), we focus on research covering countries classified as “emerging countries” by the United Nations conference on Trade and development (UNCTAD, 2015). This excludes research covering major advanced economies. Based on the list, we excluded 36 countries that IMF classified as advanced economies in 2014 (e.g. we did not include research covering such countries such as South Korea, Czech Republic and Estonia as their official status has changed to advanced economies by IMF (UNCTAD, 2015)[2].

3. Doing business in emerging markets?

As the growing trend in businesses worldwide is to globalize, firms established in developed economies – such as the USA, the European Union and Japan – would benefit from entering



Figure 1.
Word cloud of keywords used for sourcing the articles for review

emerging markets to expand their operations and maintain global competitiveness (Sheth, 2011; Merchant, 2016; Sinha and Sheth, 2018). In the 1960s and 1970s, these developed market firms typically broadened to other developed markets, similar to their home market. On the other hand, they entered emerging countries in the 1980s and 1990s and strengthened their activities and operations aggressively across different continents during the last two decades.

To demonstrate the importance of the emerging countries in the global economy, Table II summarizes the population and average GDP growth rates of the largest emerging countries, in comparison to the USA.

As businesses expand into emerging countries, business research efforts need to be more closely aligned with market growth opportunities outside the industrialized nations (Samuel Craig and Douglas, 2001; Sharma *et al.*, 2018). The government reforms that sparked the growth of emerging economies have impacted businesses, which appear to have reduced the operating costs of firms in those markets[3]. Firms in any market experience a distinct set of problems in their business and depending on the type of firm and their accompanying problems, the effect of these pro-market reforms will be different. Research has shown that domestic firms typically benefit more from these reforms than foreign-owned enterprises, as the former has a more significant impact on the national economy compared to the latter (Cuervo-Cazurra and Dau, 2009). MNEs have entered into the “strategic investor” phase in China, where now the integration of Chinese operations into the MNE network receives growing attention (Braun and Warner, 2006).

The benefits of doing business in emerging market economies are generally positive (Alon *et al.*, 2010; Paul, 2018). This is especially true for firms in the services sector, which tend to have a higher economic impact than manufacturing firms (Javalgi and White, 2002). Witowski (2005) notes that the implementation of marketing activities has the potential to reduce poverty, and social and environmental harm. Governmental policies also contribute to a more positive view of marketing activities in these emerging countries (Appiah-Adu, 1998a). The positive view of business in emerging markets is critical, as marketing catalyzes economic growth (Arslan and Larimo, 2016; Appiah-Adu, 1998b), as well as develop new managerial and entrepreneurial capacities among the local business people. Schuh (2007) found that internationally integrated and multi-tier brand strategies had helped western MNEs to succeed in central and eastern Europe when they opened up. Burgess and Steenkamp (2006) proposed a framework delineating four stages through which emerging market research contributes to the field. The four stages are: theory development, acquisition of meaningful data, analysis of the data to test one’s theories and learning.

The foreign market entry modes include exporting, strategic alliances, joint ventures, franchising, etc. (Shen *et al.*, 2017). However, exporting is the major option for most firms. Nevertheless, the use of strategic ambidexterity, where firms may enter international markets with various strategies, depends on internal and external opportunities and constraints (Czinkota and Ronkainen, 2003; Alon *et al.*, 2016). In this context, Varadarajan

Country	Population (2017)	Population (percentage of world total)	AVG GDP growth: 1993–2017 (percentage)
USA	318,892,103	4.45	2.6
Brazil	201,398,858	2.79	3.2
Russia	142,590,534	1.98	2.0
India	1,261,527,930	17.50	6.7
China	1,390,510,630	19.30	10.0

Table II.
Population and GDP in the USA and major emerging economies

Source: Developed by the author, using data from the following websites: www.worldpopulationstatistics.com/; <http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx>

and Kaul (2018) offer a framework to organize potential opportunities for doing well in emerging markets by doing good innovations.

Several studies have examined the success of export marketing strategies in emerging markets (Albaum *et al.*, 2003; Lages, 2000; Lado *et al.*, 2004). International business activities by MNEs should be treated as a means to achieve economic stimulation, and should not be restricted by emerging country governments (Arslan and Larimo, 2016; Merchant, 2016; Verbeke and Merchant, 2012). However, it is not uncommon for marketing activities to be overlooked in emerging countries (Peterson and Ekici, 2007). Furthermore, inefficiencies in the marketing systems of these markets leave a lot of untapped potential and increased government involvement in these systems which will increase the probability of their success (Varadarajan, 1984). Cui (1999) examined several notable characteristics of the Chinese consumer market and drew marketing strategy implications for MNEs using a hybrid approach based on demographics, psychographics and geographic factors.

Peterson and Ekici (2007) suggest that consumer interpretations and attitudes toward marketing efforts serve as an indicator of a firm's ability to improve the consumers' quality of life. Chan and Cui (2004) also study the attitudes of consumers toward marketing in China and conclude that consumers from emerging countries are often less critical of a firm's marketing efforts, compared to consumers from more developed countries. Thus, the emerging market consumer is likely to be satisfied with their purchases than developed market consumers. Similarly, Zhou and Wong (2008) drawing on conspicuous consumption and normative influence theories found that three motives, perceived prestige, perceived quality and perceived value, have an impact on purchase intentions for foreign brands among young consumers in China. Several prior studies (e.g. Heinberg *et al.*, 2018; Kumar and Paul, 2018) show that corporate image and reputation can help marketers to enhance brand equity in emerging markets such as China and India.

Legal factors determine whether a firm should set up a joint venture in countries such as China and India (Johnson and Tellis, 2008). In many cases, the only long-term market entry mode a foreign firm can use is joint venture. For example, in some sectors such as the retail and insurance sector, these countries legally permit international joint ventures, not wholly subsidiaries of foreign firms. This is supported by evidence of Japanese automakers (while entering the Indian market), who selected joint ventures as the dominant entry mode (Horn *et al.*, 2010). The rationale for joint venture mode is based on the expectation that the foreign firm would be in a better position to learn and adapt to certain cultural norms and practices if they have a local partner rather than operating independently. Also, joint ventures are helpful for managing the policy, politics and regulations of the domestic market. Therefore, it can be stated that joint ventures as entry modes significantly contribute to the success of a foreign firm in an emerging market such as China and India, compared to a wholly owned foreign subsidiary.

Besides, national cultures influence the selection of foreign market entry modes (Kogut and Singh, 1988). Prior research has also examined cultural divergences and contextual evaluation (Ford and Ismail, 2006). Liability of foreignness is another issue that the firm might face while entering into foreign markets (Miller *et al.*, 2008). It is also noted that first movers are more likely to succeed in emerging markets. Such is the case of Unilever, who entered India long before their main rival – Procter and Gamble, and has maintained a competitive advantage over their competitor (Johnson and Tellis, 2008). Nestle in India is another example. Being a first mover not only gives identity to organizations and enhances the idea of originality in the mind of consumers but also positively influences market share (Michael, 2003; Kumar and Paul, 2018), competitive advantage (Kerin *et al.*, 1992), performance (VanderWerf and Mahon, 1997), profit (Michael, 2003) and favorable decision-making process (Grewal *et al.*, 2003). However, it is worth noting that there is literature on the fact that being a first mover is not necessarily advantageous particularly in risky emerging markets (Kerin *et al.*, 1992).

Akbar *et al.* (2018) show that accumulation of both market experience and collection of feedback from the market are necessary conditions for foreign SMEs to succeed in emerging markets. Higher levels of control in the entry mode and marketing channel (Dijkstra *et al.*, 2001) support the flexibility, leading to further success in the new market. Next, economic and cultural proximity assist in the entry process, adding on to the propensity of success for the MNE in a foreign market (Johnson and Tellis, 2008).

Much of the literature studied emphasizes on the great importance of developing relationships in a new market from both a business to business (B2B) and a business to consumer (B2C) perspective (Flambard-Ruaud, 2005; Wood, 2004). Flambard-Ruaud (2005) discusses how relationships may be established by use of culture, specifically focusing on the Chinese *guanxi* (a system of business as well as social relationships based on mutual favors), connecting business people through a complex and deep-rooted network. Wong and Chan (1999) explored the importance of different constructs of Guanxi (relationship) such as adaptation, trust and favor, then presented a new framework for relationship marketing in China. Adaptation and trust were positively correlated with sales stability and quality. Abramson and Ai (1999) note that this system of *guanxi* is dependent upon a trust that is transferable to others within the business network. Although this concept may be very common to Chinese business people, it is a novel concept to western business people who lack business experience in China, and it is important for them to learn, as *guanxi* is considered even more important than formal contracts in China (Chen *et al.*, 2013; Luo *et al.*, 2012; Aulakh *et al.*, 1996; Davies *et al.*, 1995). Lee *et al.* (2018) also argue that foreign firms interested in doing business in China should develop “Guanxi” as a necessary relationship management tool. Thus, to establish successful relationships in a new market, the culture and value system of the host market must be thoroughly studied and comprehended. Hence, it is worth noting that building business as well as social relationships with trust are critical for international marketing success in emerging markets.

Business involves relationships and transactions between institutions (B2B) and between institutions and customers (B2C). Cultural differences and specifics of the host country economy have impact on how networking is carried out (Arslan and Larimo, 2016; Verbeke and Merchant, 2012; Flambard-Ruaud, 2005). The importance of relationship building in the host market is not a factor that is specific to just China. Outside of the context of China, relationships have proven to be essential to business and marketing strategic development, as is the case in the former Soviet Union countries and Eastern Asia (Meyer and Peng, 2016; Merchant and Allen-Ford, 2012; Meyer *et al.*, 2009; Peng, 2001). In developing nations, networking is considered as a main entrepreneurial strategy, necessary to progress (Peng, 2001). Networking assists in ushering along the other two main entrepreneurial strategies, as described by Peng (2001), which are prospecting (a networking activity in and of itself), and blurring the boundaries between public and private sector firms and activities, which is facilitated by a strong business network. Ghauri and Holstius (1996) presented a matching model showing how differences in the economic, political, legal and cultural environments between western countries and transition economies can be overcome using network approach. The idea of networks affecting the performance of the firm and other stakeholders is supported by Ghauri *et al.* (2003).

In order to provide a more comprehensive review of methods used, we provide an overview of widely used methods in the studies in this area in Table III.

4. Theoretical models for marketing success in emerging markets

There are theoretical models for foreign firms to succeed in emerging markets (e.g. Aulakh *et al.*, 1996; Ghauri *et al.*, 2003; Sakarya *et al.*, 2007; Henisz and Zeiner, 2010; Sheth, 2011; Eyring *et al.*, 2011; Santos and Williamson, 2015). A review of the notable models are reviewed below and a snapshot is given in Table IV.

4.1 Behavioral model for cross-border marketing partnerships

Aulakh *et al.* (1996) developed a conceptual model by identifying the antecedents of trust and performance in cross-border marketing partnerships. Their behavioral model is based on the assumption that trust building in such partnerships is a long-term process. Trust is necessarily guided by the past behavior of business partners. Continuity expectations, Flexibility and information exchange are the relational norms leading to the “trust” and “performance” in their model, with asset specificity and host market unpredictability as moderators. They tested the model on a sample of US firms having distributor and licensing relationships with firms from Asia, Europe and Central/South America.

4.2 Network model

Several scholars have used network theory as a tool for research in emerging markets. However, a well-known model or framework is yet to be developed in this domain of research. Nevertheless, Ghauri *et al.* (2003) developed a model demonstrating how business networks work in cohesion to improve overall performance for MNEs and local firms. This model describes how firms in a market identify business problems that should be considered as a whole, while developing their market activities through the implementation of effective business networking, thus leading to optimized performance. They focused on the political and business networks (relationships) but did not consider the internal and social relationship dimensions.

4.3 Foreign market selection model for emerging markets

Traditional market selection analysis relies primarily on macroeconomic and political factors, which often fail to account for emerging markets dynamism and future potential. There is a need to improve and supplement the assessment criteria of traditional analysis for entry into emerging markets (Sakarya *et al.*, 2007; Paul, 2015). Sakarya *et al.* (2007) developed a foreign market selection model explaining how to select appropriate emerging markets for expansion based on the firms from the USA in Turkey. Traditional market selection analysis relies on purely macroeconomic and political factors and fails to account

Method	No of studies
Survey	9
Case studies	21
Content analysis	21
Secondary data	11
Mixed methods	14
Total	76

Table III.
Widely used methods

Behavioral model	Aulakh <i>et al.</i> (1996)
Network model	Ghauri <i>et al.</i> (2003)
Foreign market selection model	Sakarya <i>et al.</i> (2007)
Business–Political relationship model	Meyer <i>et al.</i> (2009)
Five dimensions perspective	Sheth (2011)
Index for market selection	Cavusgil <i>et al.</i> (2012)
CELM framework	Mei (2013)
Differentiation and Innovation based model	Brenes <i>et al.</i> (2014)
Strategic alternative framework	Bang <i>et al.</i> (2016)
Success probability ratio	Paul (2015)

Table IV.
Available theoretical models/frameworks for succeeding in emerging markets

for an emerging market's dynamism and future potential (Sakarya *et al.*, 2007). According to their model, the success probability of foreign firms increases if a firm selects emerging markets for their international expansion, based on these four aspects: strong future market potential, manageable level of cultural distance, supportive and developing local industry, (Competitive strength of the Industry) and positive customer receptiveness for foreign products and business (customer receptiveness). They illustrate that firms need to do an assessment through different aspects related to culture and internal industry structure. Even though this model is strong, they did not address the factors that contribute to build the political and internal relationships.

4.4 Business–Political relationship model

Meyer *et al.* (2009) developed a model showing the importance of business–political relationship highlighting the need for such a function between the foreign firms and the host government institutions, especially when firms have resource-seeking internationalization strategies that are executed with different entry modes. When there is a weak relationship troubled by market inefficiencies, lower equity involvement entry modes such as joint ventures (in comparison to subsidiaries) allow for more resource acquisition. Similarly, Elg *et al.* (2015) developed a model highlighting the political and social influences on business relationships and demonstrate how MNEs are able to leverage these relationships for internationalization in emerging markets. Their three-dimensional model, based on the case of Swedish MNEs in India, shows the relationship between business, social and political forces, which can be a source of success if strongly associated.

4.5 Five dimensions perspective

Sheth (2011) presented a five-dimension perspective to understand the characteristics of emerging markets. There are five dimensions on which emerging markets are distinctly different, these are: market heterogeneity, socio-political governance, chronic shortage of resources, unbranded competition and inadequate infrastructure (Sheth, 2011). To accommodate these characteristics, he argues that firms must rethink the marketing perspective (e.g. from differential advantage to market aggregation and standardization) and the core guiding strategy concepts (e.g. from market orientation to market development). Similarly, diffusion of innovation is a good conceptual framework for marketing in emerging markets.

4.6 Index for analyzing market potential

Cavusgil *et al.* (2012) devised an index including seven factors that managers should employ when analyzing the attractiveness of potentially entering one of these emerging markets. The factors identified are: market size, growth rate, growth intensity (a measure of production within the market), receptivity to new entrant firms, consumption capacity, commercial infrastructure and economic freedom. This is a refined version of Market Potential Index developed as part of the Global edge project at Michigan State University.

4.7 CELM framework

Mei (2013) studied the importance of business–social relationships in the context of the failure of the US firm, Home Depot, in China using a host culture analysis framework. Mei developed a framework called CELM (C for culture, E for business environment, L for consumer lifestyle, M for consumer mindset), demonstrating how host culture, business environment, target consumer lifestyle and target consumer mentality interact to determine the most appropriate business model for a foreign firm. The CELM framework is then used for an analysis that demonstrates how the firm, Home Depot, is more likely to have success

by focusing on a service-oriented business model, rather than using the DIY (Do-It-Yourself) model in China. Mei's study shows that culture (C) determines the specific needs of the consumers in a host market, to which an incoming firm must adapt their product offering in order to ensure satisfaction. The host country's business environment (E) reflects how transactions take place, including expected norms and protocols within a host market. Similar to the concept of culture (and very much influenced by it), the consumer lifestyle (L) in a host market establishes said consumer's demands, which the incoming firm must cater to. Lastly, the consumer mentality (M) provides an explanation for any purchase decisions made. Another reason why Home Depot failed in China could be related to the fact that they had targeted customers living in independent houses rather than focusing on people mainly living in apartments in Chinese cities. This model addresses the social (cultural) and political (business environment) aspects. Nevertheless, they did not account for the business (e.g. relationship between foreign firms, suppliers and business partners) and internal (relationship between foreign vs local managers employed by the firm) aspects.

4.8 Differentiation and innovation based model

Similarly, Brenes *et al.* (2014) developed a model to demonstrate how firms might differentiate themselves from competitors in emerging markets in Latin America. They specify that incoming firms must first, innovate their products and processes as they relate to the host market. They must then invest in the marketing and distribution of the new brand by leveraging the innovations to add value to new potential consumers. Once established, the firm must invest in product diversification and market share, by meeting new consumers' needs. This model is purely based on innovation and product differentiation. Therefore, it is not comprehensive enough to consider all the factors that a firm need to analyze before entering and expanding into a foreign market.

4.9 Strategic alternatives framework

Bang *et al.* (2016) proposed a framework by classifying a potential customer in emerging markets as an existing customer of the product category or a non-customer of the category. They identify four strategic alternatives for marketing in emerging markets and propose that marketers need to choose an appropriate mix of strategies aimed at primary and selective demand creation. In the case of existing customers, they recommend two strategies: first is the Market Upgradation strategy to migrate the customer to a higher end version; and the second is the Volume Expansion strategy to increase ownership and usage rate. Similarly, they propose a third strategic alternative in the case of non-customers, calling it a market expansion strategy with the goal of converting non-customers into customers. The fourth strategic alternative is known as "Demand fulfillment strategy" (applicable in both customers and non-customers category) targeting self-generated replacement and first time demand.

4.10 Success Probability Ratio (SPR) and Index (SPI)

Paul (2015) introduced an SPR and an SPI to examine the probability of success of a foreign firm before they enter into an emerging market. SPI is grounded in the Herfindale Index but with a different way of calculating the ratio from the point of view of foreign firms and the index value. According to Paul (2015), instead of estimating Herfindale index score/ratio for all the firms in an industry, we could estimate the index score/ratio on the basis of "market share" of foreign firms in an industry using the same formula. The Herfindale index ratio, when estimated using data on market share of foreign firms, can be called as SPR/index. He argues that the higher the value of SPI is (in the range of 6,000–10,000), the lower the probability of success of new firms entering into that industry in an emerging country and vice versa.

4.11 Theoretical extension: a new four-dimensional relationship model (PBSI Model)

Based on the findings of the studies mentioned above, we extend and develop a new four-dimensional relationship model by taking into account the major factors discussed in the preceding sections (See Figure 2 and Table V). New model includes all the four important relationships that can be seen in the works of Elg *et al.* (2017), Meyer *et al.* (2009), Mei (2013), Ghauri *et al.* (2003), Brenes *et al.* (2014). These relationships, which each interact and impact each other, are based on political, business, social and internal factors. The extant literature focuses on two or three dimensions (relationship types) only. Therefore, there is a need for a new model that integrates all types of relationships. Political relationships are often the first ones encountered by a firm expanding to foreign markets, as host governments may create or reduce entry and regulatory barriers to the market (Elg *et al.*, 2017; Meyer *et al.*, 2009). Once barriers to market entry are overcome, firms must establish business relationships with other industry incumbents, such as partners, suppliers and even competitors (Ghauri *et al.*, 2003). The firm must then conduct business grounded in social capital according to the cultural traits encountered in the new market (Mei, 2013). Lastly, internal relationships, which depend on the management structure of the firm, will determine the firm's differentiation strategy (Brenes *et al.*, 2014). Thus, we build a new model that encompasses four types of relationships: Political (foreign firm and the government people), Business (foreign firms and local business partners, suppliers, etc.), Social (foreign firms and local cultural norms) and Internal relationships (Management of the parent firm and the stakeholders, primarily – the employees hired from the host country). This can be called as the PBSI model for relationship management.

5. Discussion

In this section, we aim to link the tenets of our new model with a new approach. We analyze the potential implications of the proposed four-dimension model in this section. Also, in this section, we summarize and discuss the strategically important findings from the prior studies. This discussion then serves as a platform that serve to provide managers a strategic basis for operations in emerging countries, as well as inform scholarly research, to provide potential topics of further discussion and research.

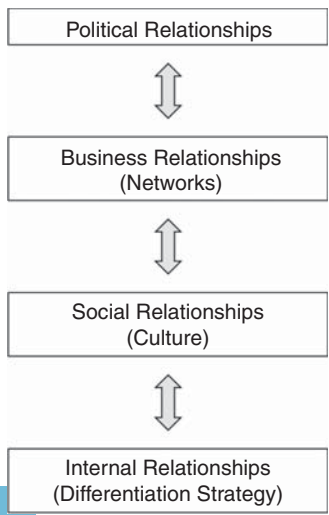


Figure 2. A New PBSI relationship model for international marketing in emerging markets

Dimension	Example	Strategic approach	New research questions
Political relationships (networks)	Government and trade-regulating agencies in a host market can create or reduce entry barriers to the market	Market selection could depend on the ability and ease with which a firm can navigate political relationships. Markets with high entry barriers are often unattractive to MNEs	Should political relationship be subject to each country as opposed to regional blocks (EU, NAFTA, ASEAN, etc.)
Business relationships (networks)	Local partners, suppliers, etc., can help to grow the business, or even competitors who have an impact on the market by influencing factors such as price-based competition	Entry modes depend heavily on the industry relationships available to the foreign firm and the competitive environment in the new market	How can foreign firms build better business relationship with local partners? Does networks help joint ventures and strategic alliances
Social relationships (culture)	Social norms influencing consumers' product expectations, business practices with partners (e. g. <i>guanxi</i>), and interactions with government agencies (i.e. political environment)	Market knowledge allows for product or advertising adaptation, to best suit the needs of the local consumer. Greater cultural understandings also help to avoid tension with consumers and other stakeholders	Does cultural knowledge of language, religion etc help foreign firms? What should firms do to improve social relationships
Internal relationships (Management structure. Foreign firm, employer and local employees.) Differentiation strategy	Management structure of the firm, and interdepartmental and peer interactions. Employee-Employer relationship (senior managers), etc.	A well-coordinated effort with solid internal communications, and ethical standards, serves to reduce mistakes, and misunderstandings	What strategies foreign firms should use to have better internal relationships? How does internal marketing help

Table V.
Four-dimensional PBSI relationship model and strategies for doing business in emerging markets

The new approach that we propound for emerging markets ideally should recognize the importance of political relationship (as included in our model) with government agencies and the public sector organizations which will in turn help the foreign firms to overcome any entry barriers. It is also essential to concentrate on adaptations to dynamic environments, knowledge transfers and relationships within a market – from both an institutional (Business to Business) and consumer (Business to Consumer) perspective. This will help the firms to build business relationships with partners, suppliers and competitors.

According to Qu and Ennew (2005), firms operating in emerging markets are more likely to be market oriented when the host government has favorable policies set in place to allow for an open economy. This is significant, as a higher focus on market orientation normally leads to higher organizational effectiveness in the market (Zhou *et al.*, 2009). Thus, it is essential for brands to adapt their communication strategies and how they compete in emerging economies, to provide a custom-tailored fit (Kaynak and Zhou, 2010). This kind of strategies based on cultural adaptation is related to the social relationship dimension in our model.

5.1 Four-dimensional relationship model

It is important for foreign firms to understand the need for establishing different types of relationships in an emerging market, as outlined in the proposed four-dimensional model (see Figure 2).

The first step is to build the political relationship between the foreign firm managers and the government agencies, diplomats, etc. This is critical to avoid entry and regulatory barriers and to overcome the challenges. Then comes the business relationship between the incumbent firm and local partners, suppliers, competitors, etc. Third, a firm needs to build social relationships considering the cultural aspects and norms in the emerging country as they are likely to be different than the culture in an advanced economy. Fourth, foreign firms need to take care of the management structure, for example, they need to give due importance to the inclusion of local managers in the decision-making process. The firm will have to strategically decide on what extent they should include or differentiate their policies toward local managers. It would be worth studying the degree of these relationships with reference to these four dimensions as well in the future.

5.2 Market selection

When selecting an attractive market to penetrate, it is recommended for firms to consider markets that are geographically, economically and culturally close to the home market (Johanson and Vahlne, 1977; Ghemawat, 2001). Johansson and Leigh's (2011) highlighted the importance of cultural distance on the rate of MNE penetration in emerging markets, noting that firms regionalizing their operations are normally more common and successful than those who seek to globalize. However, this is difficult for a developed country, as these proximities normally do not exist. Thus, the developed market MNE must consider both economic and competitive growth, as it is important to see both sales and market share potential. The entry of competing firms will be a strong indicator of performance potential in the new market, based on the success of these firms, as well as the level of competitiveness for market share. However, firms are not advised to wait for competitors to enter markets first, as first movers are often able to establish a stronger competitive advantage within the emerging market (Johnson and Tellis, 2008).

5.3 Entry modes

Tihanyi *et al.* (2005) examined the impact of cultural distance, on entry mode choice, international diversification and MNE performance and found a strong negative association between cultural distance and entry mode choice for the USA-based MNEs. They found that the cultural distance–international diversification relationship was negative for high-technology industries, while it was positive for other industries. Cultural distance also had a strong positive effect on MNE performance for developed country investments.

Johnson and Tellis (2008) recommend that firms select entry modes that provide higher level of control over operations in the new market. This implies complete equity investments of wholly owned subsidiaries or greenfield investments; however, it is important to note that a large portion of successful MNEs in emerging markets are the result of strategic partnerships, which still allows for a high level of control, depending on the terms of the agreement made. Generally, strategic partnerships can provide sufficient control if the MNE is able to achieve a strong vertical integration of the value chain within the host market (Abramson and Ai, 1999; Lee *et al.*, 1993).

We find that the importance of relationships stems beyond formal relationships of strategic alliances and partnerships. Less formal business relationships can provide a competitive advantage and could even be considered essential. In China, building a strong network via *guanxi* relationships (can be considered as part of social relationship rooted in culture, as shown in our model in Figure 2 and Table III) is a major component of success (Chen *et al.*, 2013; Luo *et al.*, 2012; Abramson and Ai, 1999).

5.4 Market knowledge

The objective of this paper is to explore the scope of international marketing in emerging countries, as they have captured the attention of the rest of the world. To sustain growth and profitability, firms must first understand the environment in which they are operating within by conducting extensive market research, as discussed in our four-dimensional model (see Table III). This market knowledge will guide the foreign MNEs actions, providing them with an important local perspective necessary for a marketing strategy adaptation, which is necessary for new international markets (Helm and Gritsch, 2014). Understanding and operating according to the target segment's needs is a key to increase performance of the MNE in any country, especially those within the emerging economies (Sengupta and Chattopadhyay, 2006). This is especially true for smaller firms, as they often do not have a strong market focus that larger firms may possess.

In considering the needs of the market, it is important to consider the ethical aspect of marketing. This means that products should be designed and priced to meet both the needs and budgets of the consumers with lower level of income (Witowski, 2005). It is important to note that the distribution channel used to reach the targeted market must be optimized to provide accessibility to consumers that may often not count on personal modes of transportation. A positive image of the incoming firm as a socially responsible organization has a positive effect on performance (Zeng *et al.*, 2013). Keeping the consumers best interest in mind is both beneficial to the firm in the long run, as it may generate loyal customers, while providing additional social welfare for the host market. Thus, it is important for all firms entering a new market to consider these concerns and focus primarily on consumer needs, while still ensuring profits in the market (Witowski, 2005).

Research shows different preferences for information requirements based on the market that the MNE is attempting to penetrate. Both the image that consumers have of the home country of the MNE, and the expected capability of that country to produce the good have an important impact on this quality perception (Essoussi and Merunka, 2007). It is also important to note that firms must be aware that ethnocentricity plays a large role in product evaluation, and emerging market consumers are often more likely to purchase a domestic product, if the foreign products are not perceived to be of a superior quality (Wang and Chen, 2004).

6. Directions for future research

One of the limitations to this study is the lack of extant literature in this area in top rated journals. This could also be because of a lack of research resources and capability of scholars based in developing countries to publish in premier journals. Following the method seen in prior research studies (Rosado-Serrano *et al.*, 2018; Paul and Rosado-Serrano, 2019), we provide directions for future research with reference to: Theory (Section 6.1), Context and Dimensions (Section 6.2) and Methodology (Section 6.3).

6.1 Theory

It was found that there are no well-established theories (based on the citations of the models reviewed) that explain the probability of success in emerging markets with reference to the factors determining its success. In this regard, prior researchers (Canabal and White, 2008; Sharma, 2011; Paul, 2015; Dikova and Brouthers, 2016) identify several issues that future studies need to address: changes to the models, introducing new theories or combining theories, applying new or better methods. Paul and Mas (2019) developed a 7-P framework grounded in Potential, Path, Process, Pace, Pattern, Problems and Performance as a benchmark platform/typology for future research in this area. Potential stands for market potential, path stands for growth path of a firm, Process is for the entry modes and standard practices the firm choose to follow, Pace refers to the speed

of doing business internationally, Pattern refers to portfolio of countries and products, and the problem covers resource constraints, liabilities, and bias. According to them, performance of a firm = function (Market Potential, Path, Process, Pace, Pattern and Problems). Perhaps, researchers can use such models as theoretical lens for carrying out future research. In order to provide practical solutions to the problems, we need typologies and useful frameworks that help decision makers to better understand the problems of doing business in emerging markets – cultural, legal, political and other issues. It was also found that the extant models (models discussed earlier such as: Behavioral model, Network model, Foreign Market selection model, Business–Political relationship model, Five Dimensions perspectives, CELM Framework, Differentiation and Innovation based model, Strategic Alternative Framework, SPR and 7-P Framework for International Marketing) have not received the attention they deserve in research as investigators tend to use the old and known tools and theories rather than learning and applying theoretical models developed during the recent years.

Thus, future research needs to focus on issues such as appropriate strategies for succeeding in emerging countries and the need for market knowledge for effective relationship building. By studying the host market's culture and value system, the process of making acquaintances and establishing useful business relationships is facilitated for firm's agents (Hitt *et al.*, 2016). This host market knowledge provides management with the necessary insight as to the position (or potential position) the firm and its products hold with the consumer in the host market. Similarly, understanding the pattern and how products of the home country of a multinational firm are viewed internationally (i.e. the Country of Origin effect) can better guide the firm in its branding efforts. Future research could focus on uncovering practical strategies for overcoming negative quality perception.

There are immense opportunities to extend the scope of the four relationship dimensions, using firm-level data providing an even more robust set of recommendations for the expansion of MNEs to emerging markets. We recommend doing so through longitudinal studies. Researchers can use proxy or dummy variables for quantifying different dimensions. The study of the actual (vs theoretical) implementation of these recommendations will provide insights into nuanced adjustments that will be required for adaptation to specific contexts and unique market needs. Future researchers can use the propositions from this study as their hypotheses in their research.

6.2 Context and dimensions

Till the end of last century, most consumer and social science research has focused on WEIRD societies and countries (Western, Educated, Industrialized, Rich and Democratic) societies (Henrich *et al.*, 2010). It would be prudent to carry out research focusing on one of the following dimensions of marketing in emerging countries: antecedents, decision characteristics and consequences. Antecedents include analysis of motives for entering into emerging markets and factors influencing the plan for strengthening business in emerging markets. The questions “What” and “Why” can be discussed scientifically using the antecedents' dimension. Decision characteristics refer to entry modes such as franchising, licensing, joint ventures, strategic alliances and subsidiaries. The question: “How” can be better discussed with reference to the decision characteristics dimension. Studies covering the consequences could be oriented toward how the internationalization into emerging markets contributes to the performance of MNEs. Single country studies covering different industries would be ideal in this regard. However, cross-country studies would also attract a lot of readers and have a higher potential to create impact in long run.

It was noted that most of the research in this area were conducted in the context of international marketing in secondary sector (industrial sector) in the form of joint ventures, strategic alliances, etc. The need of the hour is to focus on different frontiers of research on

international expansion into the booming services industries in emerging markets. For example, research on international franchising partnerships in services industries need attention. In this context, researchers can build upon the partnership model developed by prior researchers (Rosado-Serrano and Paul, 2018). There are also opportunities to carry out such research on brand equity, brand management and mass prestige of multinational brands in emerging markets, in particular, in services sector.

Additionally, research on the use of technology as a tool for quick market adaptation would provide useful insights on how the recommended strategies might be attainable for practitioners. Alternate forms of mass communications tools, such as social media, might help. This understanding is vital to market adaptation, since mass communication usage differs from one culture to another. Besides, there is potential for carrying out studies that address one of the following questions:

- (1) What drives the international marketing activities of enterprises from developed economies in emerging markets and what factors are involved in the positive outcomes for these firms?
- (2) How do the business environments in the host country influence the success or failure in emerging markets?
- (3) What marketing strategies are/need to be implemented by firms while trying to market to the maximum (mass market) in populous countries?
- (4) Does political relationship carry among emerging markets and how much? What are the antecedents of political relationship? Is it possible to develop some measures to quantify political relationship similar to political risk index?
- (5) How does business relationships and social relationships help managing complex organizational and political problems in emerging countries?
- (6) What are the opportunities and challenges faced by firms while entering into emerging countries, particularly in the fastest-growing markets in Asia such as China and India?
- (7) How do foreign firms create brand equity in emerging markets when those markets are primarily characterized by several unbranded products?
- (8) What entry strategies foreign firms implement in different emerging markets? Is it possible to have the same strategy in all emerging markets? Should they prefer joint ventures or set up their own subsidiaries and branches?
- (9) What kind of sales and distribution channel strategies should the firms follow in emerging markets?
- (10) What type of pricing strategy foreign firms follow in emerging markets? (Penetration pricing, Price skimming, Every Day Low Price, discount, etc.?)
- (11) Should the foreign firms use loyalty programs/card, coupons, etc., as part of promotion strategy?

6.3 Methodology

It is worth noting that most studies in this area have been conducted using firm-level data (primary and secondary) of three or four firms. Research based on single firm has also been published. The possibilities for future research are immense as there are not many empirical studies testing hypotheses in this field. For example, hypotheses can be derived based on the relationship between innovation of a firm and performance in an emerging market, first mover

advantage of a foreign firm, country of origin of a foreign firm in line with the cognitive bias, or liability of foreignness. Qualitative studies using data from five or more firms can be also appreciated, if researchers can derive generalized theoretical insights and propositions. No doubt, there is scope for interview-based studies. Ideally, firm-level data should represent different industries. There are also opportunities for research using cross-country data.

7. Conclusions

This paper reviews the strategies of MNEs in emerging markets. The importance of marketing as an economic stimulus is established, and strategies are recommended for entry into these markets. MNEs need to gain local knowledge and mitigate risks associated with new market entry. In addition to the establishment of formal relationships, it is important for the marketer to establish less formal relationships with local businesses, governments, and, of course, consumers.

Recent years have shown an increased need to supply consumers with more information to facilitate the transaction process, and consumers are continually becoming more sophisticated in their purchasing behavior. Thus, tailoring the marketing approach to consumer needs is more essential now than ever. However, this strategy must be set up within an ethical basis, taking into consideration the consumer's culture, preferences, purchasing power and consumption patterns. Similarly, consumer perception in emerging markets is reliant on the product's country of origin, as this has strong implications on the perceived quality of a good or service. Often the lack of prior experience with external brands, due to a previously closed economy, leads emerging market consumers to base their purchase decisions on this factor. Managers need to consider several factors in advance as part of their business plan to select appropriate emerging markets and decide on the best possible entry modes based on the cultural, political, economic and legal systems and practices prevailing in those markets.

Notes

1. www.tradingeconomics.com; www.ab.gov.tr/files/ardb/evt/1_avrupa_birligi/1_9_politikalar/1_9_8_dis_politika/The_role_of_BRICS_in_the_developing_world.pdf
2. These countries include Australia, Austria, Belgium, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Iceland, Ireland, Israel, Italy, Japan, Latvia, Luxembourg, Malta, The Netherlands, New Zealand, Norway, Portugal, San Marino, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Taiwan, UK and USA (IMF Advance Economies List, World Economic Outlook, April 2014).
3. www.imf.org/external/np/speeches/2016/020416.htm
4. "Guanxi has been referred to, separately or simultaneously, as relational entities and their relationships as social practices of building and using personal relationships to get through life and work as a strategy for organizations to gain competitive advantage a mechanism of contracting and transactions" (Chen and Huang, 2013, p. 169).

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