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RESEARCH ARTICLE

Research Opportunities in Emerging Markets: an Inter-disciplinary Perspective from Marketing, Economics, and Psychology

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Abstract Emerging markets are fast-growing developing countries that are creating not only a rapidly expanding segment of middle class and rich consumers but also have a sizable segment of "poor" consumers. This paper presents an inter-disciplinary perspective integrating insights from quantitative and behavioral marketing, social psychology, industrial organization, and development economics with the purpose of generating and answering research questions on emerging markets. We organize our discussion around three themes. First, there is substantial *heterogeneity* in the social, cultural, economic, and institutional environments as well as *rapid change* in these characteristics. Coupled together, the heterogeneity and dynamics increase the scope of variables and inter-relationships that have traditionally been investigated. Second, emerging markets continue to have sizeable "poor" and rapidly growing "new rich" populations, requiring marketers and researchers to understand how to market to the poor and the "new rich." Exploiting these features in research can help deepen our theoretical understanding of markets and marketing. Third, from a methodological perspective, differences in types of available secondary data and the lower cost of collecting primary data create opportunities to develop new approaches for addressing research questions. We also encourage scholars to move beyond cross-country regressions offering broad-brush exploratory insight, to country-industry-specific research that exploits unique characteristics of a particular emerging market.

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> "Market economies springing up in China, India, Africa, and elsewhere herald a new era of entrepreneurship and with it unprecedented opportunities for economists to study how the market economy gains its resilience in societies with cultural, institutional, and organizational diversities."
>
> Ronald Coase, Harvard Business Review, December 2012

1 Introduction

Emerging markets have become the engines of economic growth, rapidly gaining share of the world economy. China, India, and Indonesia, the three most populous emerging markets, had average annual growth rates of 9.3, 6.5, and 5.9 %, respectively, while the USA, Japan, and Germany each grew on average less than 1 %/year over the past few decades. Emerging markets have gained economic, managerial, and policy relevance, but marketing research on them on remains scarce. A rigorous understanding of these markets that now account for 65 % of the world's population and 40 % of the world's economic output is necessary to enhance, perhaps even maintain, the relevance of our academic enterprise.

What are "emerging" markets? Emerging markets are fast-growing developing countries that are creating a rapidly expanding segment of middle class and rich consumers but still have sizable segment of "poor" consumers at the bottom of the pyramid. The so-called BRIC countries—Brazil, Russia, India, and China, and countries such as South Africa, Mexico, and Turkey fall in this group.[1] Research on recently "emerged markets" such as Taiwan, South Korea, and Singapore and Eastern European countries that recently transformed from centrally planned economies to market economies, can also aid in answering questions related to emerging markets.

Table 1 provides some key economic statistics for developed countries, recently emerged countries, and emerging markets for purposes of comparison. Emerging markets are large, growing swiftly, and exhibit variation in standards-of-living across their population. Clearly, developed countries such as the USA, UK, and Japan have much higher per-capita incomes than emerging markets in the lower panel of the table. South Korea has had remarkable increases in income over the period of 1975 to 2012, and we label it as an emerged economy. However, the rates of growth during the 1975–2012 period has been much higher for emerging and recently

[1] Morgan Stanley Capital International includes 21 countries from Asia, Latin America, Eastern Europe and Africa in its global emerging market index based on size, liquidity constraints, and market accessibility criteria. The index is widely used by fund managers in constructing ETFs.

Table 1 Key statistics from emerging and developed economies

	UK		USA		Japan		South Korea		China		India		Brazil		Turkey	
	1975	2012	1975	2012	1975	2012	1975	2012	1975	2012	1975	2012	1975	2012	1975	2012
Population, total (million)	56	63	216	314	112	128	35	50	916	1350	622	1237	108	199	39	74
GDP (constant 2005 US$) (trillion)	1.11	2.53	4.94	14.14	1.98	4.71	0.10	1.17	0.16	4.52	0.17	1.39	0.37	1.14	0.14	0.63
GDP per capita (constant 2005 US$)	19772	39796	22886	45038	17647	36912	2851	23303	172	3345	281	1123	3435	5730	3689	8483
% pop. at$2 a day (PPP)										18.6[a]	..	59.23	..	6.79		
Average annual GDP growth %		2.17		2.82		2.42		6.93		9.52		5.89		3.18		4.22

Source: World Development Indicators 2014

[a] For 2011; 2012 data not available

emerged economies, compared with developed countries. China has had much stronger per-capita growth than India in the same period–starting with a per-capita income which was much lower in 1975, China has almost three times India's per-capita income in 2012. Even though average per-capita incomes in emerging markets have risen considerably in the past few decades, a large portion of the population still remain below the poverty line (defined by the World Bank as those earning less than $2 a day). Countries like India and China (and to a lesser extent Brazil) have a significant mass of the poor. Given their large populations, these shares constitute large numbers of people and this segment will remain important consumers of basic goods.

Our goal in this paper is provide an inter-disciplinary perspective integrating insights from quantitative and behavioral marketing, social psychology, industrial organization and development economics with the purpose of generating and answering research questions on emerging markets. We organize our discussion in three parts. The first two revolve around substantive elements of emerging markets that make it uniquely interesting to firms and policy makers and researchers studying these markets. In the third, we discuss methodological issues that provide both opportunities and challenges for research on emerging markets.

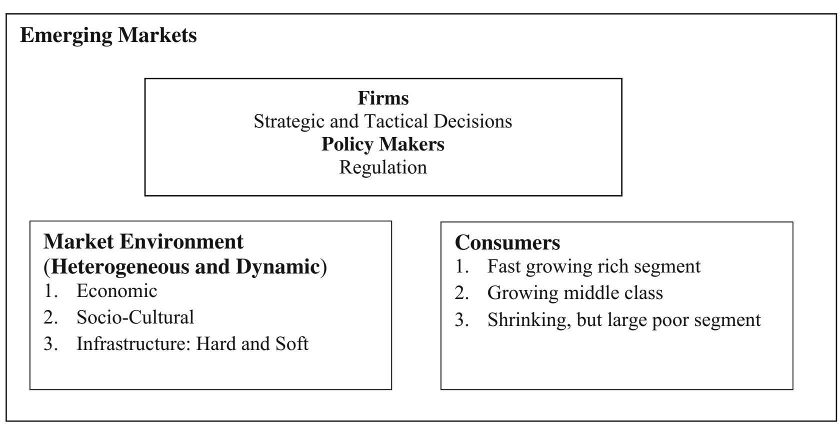
Figure 1, in the lower half, highlights two key distinguishing elements of emerging markets that impact the decisions of firms and policy makers operating in and across these markets. First, there is considerable heterogeneity and dynamics in the market environment. Second, emerging market firms and policy makers need to pay much more attention to the large segment of the poor at the bottom of the income pyramid, in addition to the rich and middle class consumers who dominate the developed markets.

We elaborate on these two issues in turn. First, the market environments in emerging markets are very heterogeneous and dynamic. For example, China and India face very different market environments; but even within these countries, there is considerable economic, cultural, and institutional heterogeneity across provinces and regions. In response to the heterogeneity and dynamics in the market environment as well as the combination of rich and poor demand segments, the strategies of firms and policymakers in emerging markets differ from those in developed markets. For example, firms will have to invest in consumer education as new masses of customers enter the middle classes, create supply side infrastructure to generate and accelerate demand for new categories and will also have to invest in navigating "institutional voids" such as cumbersome regulation or lack of enforcement against counterfeits. Policy makers need to constantly respond to the development and growth of new markets with new regulations, infrastructure and institutions along many dimensions in these dynamic markets. We will discuss various supply side issues in Section 2 as we delve into details about the points described above.

From a researcher's perspective, understanding how the heterogeneous market environments affect market outcomes can not only provide insights on emerging markets but also aid the overall theoretical development in consumer behavior and marketing strategy. In their provocative critique, Henrich et al. [29] dubbed the traditional subjects of most social science research as western, educated, industrialized, rich, and democratic (WEIRD) and argue that scholars need to push inquiry beyond the "WEIRD" in developed markets. Burgess and Steenkamp [13] also make a similar argument that emerging markets offer a laboratory-like setting by allowing researchers to test theories about consumers and thus bring about a "renaissance" in marketing science. Expanding on these arguments, we maintain that emerging markets not only provide us an opportunity to study new consumers but also widely different economic and institutional environments.

Current emerging markets are extremely dynamic, growing at a rapid pace. To understand the contrast with the "emergence" of developed countries, take the case of the Industrial Revolution, when the current developing countries began their path towards development. England and the USA took about 50 years to double GDP per capita with populations of ten million. In contrast, India and China have doubled per-capita income in 12 and 16 years with populations of one billion [4]. Globalization has catalyzed this pace of growth. Today's

Fig. 1 Key elements of emerging markets



global supply chains aid trade of goods and services more easily; ease of information dissemination implies much more rapid diffusion of innovation. The fast speed of growth is accompanied by other changes such as urbanization, migration, literacy growth, and development of new market and regulatory institutions. Coupled together, heterogeneity and dynamics expand the scope of variables and inter-relationships that can be investigated.

Second, though emerging markets are typically characterized by a growing middle class, they continue to have sizeable “rich” (small share, but large in absolute numbers relative to less populous developed countries) and “poor” (shrinking, but still large share and very large absolute numbers) segments of the populations. Many marketers selling “necessary” goods and services have to broaden their focus to figure out ways to effectively market to the poor. Relatedly, the rapidly expanding rich in emerging markets provide new opportunities to studying luxury consumption among the “new rich,” who use consumption to signal status and success. Given the large populations in China and India, even a small share of the rich segment can translate to large numbers of rich relative to many developed countries. For instance, almost all luxury marketers are investing in China as it has grown to become the largest luxury market in the world. The role of counterfeits for status signaling, when the market is still developing its tastes has arisen as an important element and consideration in the marketing of luxury goods. Through the lens of these two key elements, we illustrate through examples the gains from greater inter-disciplinary exchange across marketing, economics and psychology in studying emerging markets.

Third, and finally, from a researcher’s perspective, there are some methodological opportunities and challenges. First, secondary data typically available in developed countries may not be available. This might mean opportunities for researchers to use other creative methods to address the research question. Second, the cost of primary data collection can be much lower. This could mean new studies answering substantive questions that might not be feasible in developed countries due to data constraints may be possible with data from emerging markets. Field experiments have been a useful tool in the development economics literature, and we believe such randomized control trials may become more popular in marketing, as the cost of data collection goes down. Currently in marketing, there is a greater emphasis on cross-country analysis to gain broad-brush insights on differences across countries. While we believe there is continued value from such research, we also encourage new country and industry-specific research that takes into account the rich (and sometimes subtle) set of changes in the demand, supply, institutional and regulatory conditions within, rather than across, markets.

The rest of the paper is structured as follows. Section 2 discusses the role of heterogeneity and dynamics within and across emerging markets in answering new questions; Section 3 elaborates on issues related to studying the bottom of the pyramid—a much neglected area of research in marketing and about marketing to the “new rich.” Section 4 explores the methodological challenges and opportunities relevant for the study of emerging markets. Section 5 concludes.

2 Heterogeneity and Dynamics in Market Environment

In this section, we explore how heterogeneity and dynamics within and across emerging markets in economic, demographic factors, sociocultural, and institutional dimensions motivate new research opportunities.

2.1 Economic Factors

We first discuss the heterogeneity in economic factors. As shown in Table 1, incomes and economic conditions vary significantly across emerging markets and more so relative to developed countries. However, the average growth rates across countries, often mask the impressive differences in incomes within countries. Figure 2 below shows the significant heterogeneity in income per capita within the states/provinces of China and India.

The poorest state of Bihar has an average income almost an eighth of the richest state of Goa. In comparison, the per-capita income variation across provinces in China is smaller. Jiangsu, one of China’s richest provinces has a per-capita income which is only about twice the poorer provinces like Henan and Guangxi. Furthermore, as Fig. 3 shows, there is also considerable intra-province variation for example, between rural and urban areas.

The dispersion in incomes also shows up in consumption. Figure 4 shows the differences in automobile penetration across regions in India (top) and China (bottom) in 2012. As with income, China displays more even ownership patterns, but both countries display wide variation.

Next, we turn our attention to the second important feature of emerging markets—dynamics. In developed countries, there is limited variation and high stability in many economic and demographic factors such as per-capita incomes, fertility, and urbanization. Even if incomes vary, they are not binding constraints for many consumption categories of interest. Consequently, marketing scholars have paid limited attention to these factors in understanding consumption, savings and investment behavior—and the resultant implications for firms tactics and strategy. In contrast, these factors are of central interest to both researchers and managers in emerging markets.

Rising incomes not only relax the budgetary constraints of consumers but also fulfill their aspirations. Both economic and psychological factors are critical in understanding the

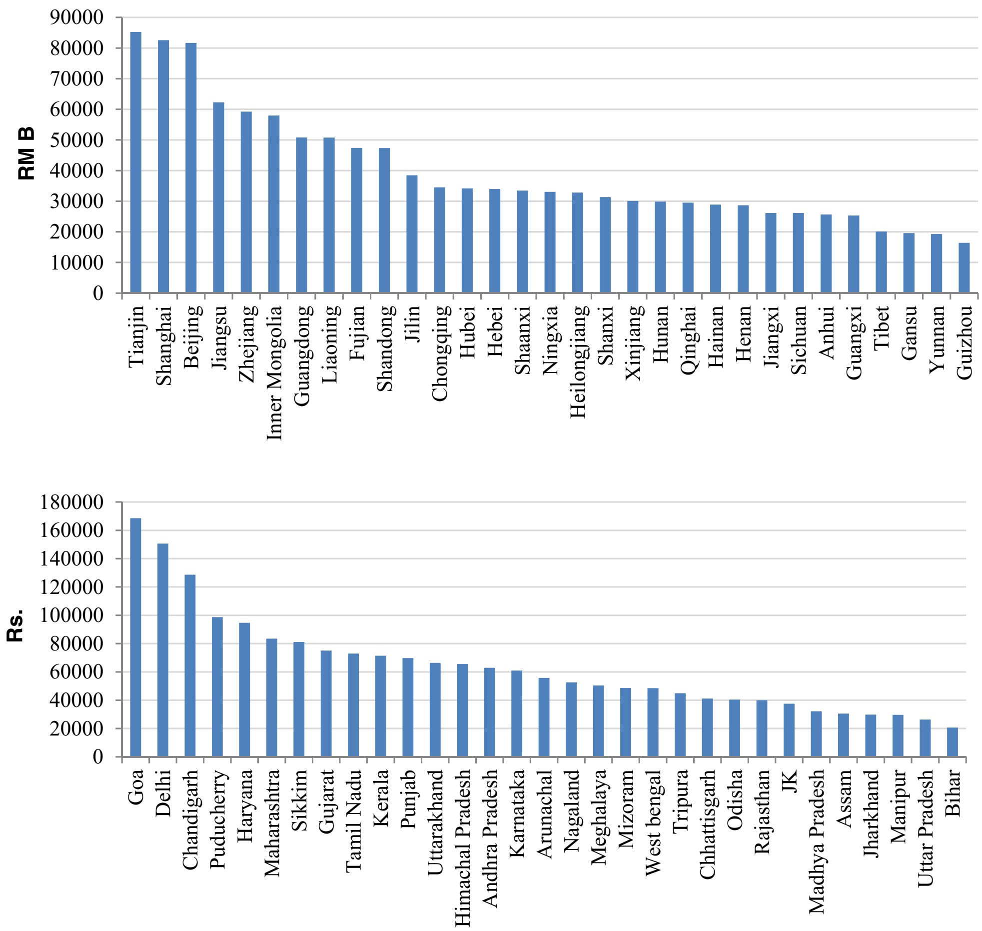


Fig. 2 State per-capita income in 2011: China (*top*) and India (*bottom*). Source: Planning Commission (India), EMIS (China)

consumption behavior of the emerging middle class. We illustrate the research opportunities with a few examples.

Higher disposable incomes enable new middle class to adopt many new categories—frequently purchased goods, durable goods, and luxury goods. In these early stages, modeling category adoption and penetration, rather than brand choice, is of primary managerial and research interest. In categories like TV, refrigerators, and other durables, the rich generally adopt earlier than the poor. However, in some categories like cellphones adoption or mobile might be quicker and faster among the lower classes (who "leapfrog" to the new technology), as land line and physical banking alternatives may not be available to the poor. Narayan et al. [50] find that the Indian upper middle class adopts modern retail for its ambience and product variety, the lower middle class adopts modern retail for its lower prices and store credit, while the middle class has the lowest adoption, because the traditional store provides the better balance of price, relationships, and home delivery.

Another important aspect of category choice research in emerging markets is modeling of cross-category effects. This is because given the rapid rise in incomes, middle-class consumers may be choosing among several categories of durable goods like washing machines, fridges or motorbike. Estimating cross-category elasticities can allow simulation of how marketing mix changes in one category would induce households to modify their adoption across categories and also over time [62]

Despite new products entering the market and increase in incomes, one can expect high inertia in repeat purchasing contexts. It has been well-documented that due to the

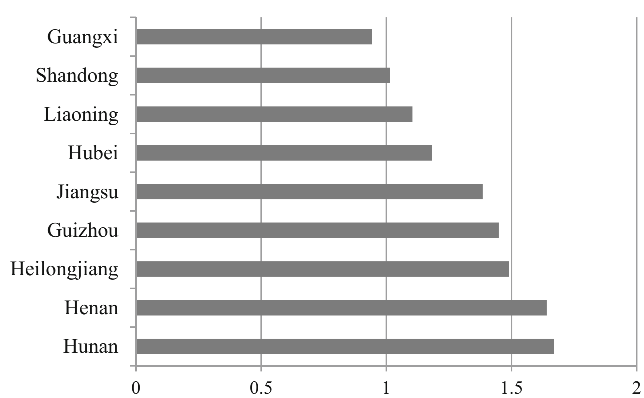


Fig. 3 Urban/rural income ratio across Chinese provinces. Source: Chinese Health and Nutrition Survey 2011

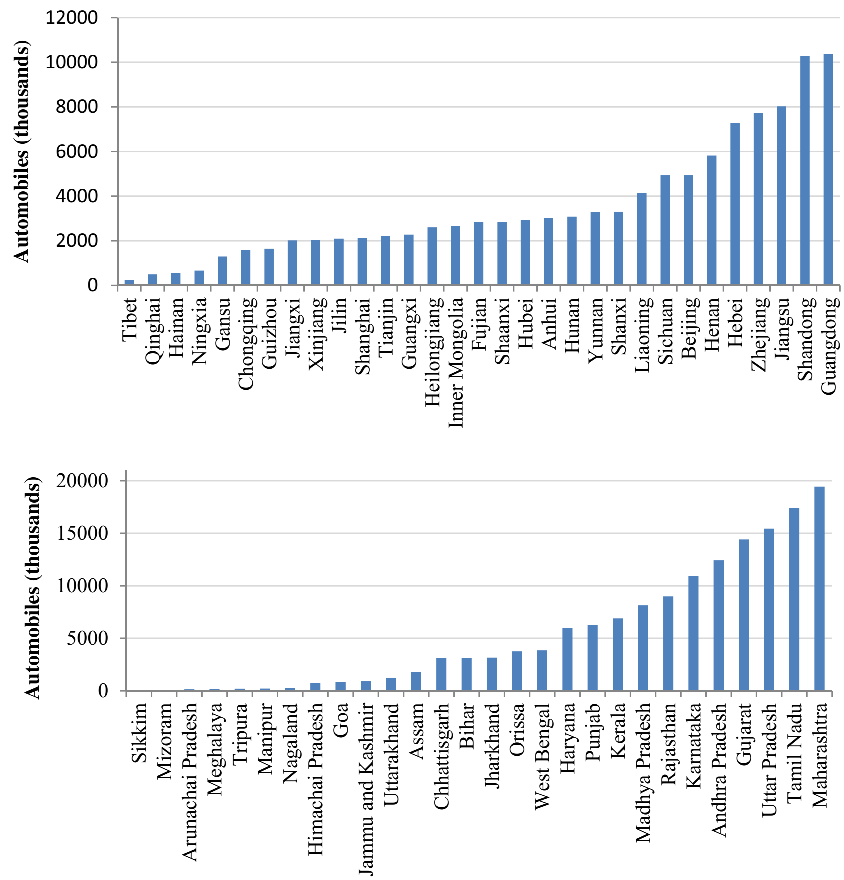


Fig. 4 Automobile ownership in 2012: China (*top*) and India (*bottom*). Source: EMIS

associative connections formed in memory between context cues and the response, and/or automatic cognitive mechanisms, there is a high degree of inertia habitual repeat behavior [66, 68, 69]. Atkin [2] shows the power of "habit" in India, where migrants who moved across provinces continued to spend their limited incomes to buy higher cost food traditional in their regions of origin. Eizenberg and Salvo [20] highlight the long-term impact of habit formation as consumers are beginning to enter the middle class. Surprisingly, those who had bought relatively cheaper local brands remained loyal to local brands, even when premium brands cut prices and gained market share among the *newer but less rich*, highlighting the importance of capturing "new" consumers before they form category habits. Consumption habits and attitudes towards savings from one's youth explain the continued high savings rates in Taiwan even as incomes continue to increase over 30 years [18].

Rising incomes can also drive other demographic changes like reduced fertility as new market opportunities for women increase the opportunity costs of raising children. Fertility not only changes the current age and population structure but drives population patterns for decades to come. Banerjee et al. [6, 7] find that an exogenous change in fertility in urban China (triggered by the one-child policy) increased savings rates for households and this relationship was driven by inter-generational transfers rather than consumption.

Other correlates of rising incomes and subnational heterogeneity are multi-fold. They include evolving sociocultural attitudes, heightened investments in infrastructure, and development of institutions. The fast pace of change combined with considerable variation in these dimensions make emerging markets the equivalent of fruit flies for economics, psychology and marketing research—allowing us to empirically learn the effects of many variables that tend to be dormant or change far too slowly within developed countries.

We conclude this discussion on evolving economic factors with a brief discussion of the implications for luxury consumption and brand consumption for the rapidly growing rich segment in emerging markets. Among the very rich and the aspiration-laden upper middle class, demand for luxury goods has grown. China is now the largest luxury market in the world, surpassing the USA and Japan in 2010 [5]. At the same time, counterfeits have become a gateway to learn about luxury goods in China as the aspirations of the middle class with relatively low incomes increase [55]. Interestingly, counterfeits often serve as a form of mass advertising, increasing brand awareness and sales spillovers for the counterfeited brand [53]. Beyond luxury consumption, there are important possibilities in the study of private label versus branded consumption in public versus private consumption categories, because they have different consumption and signaling utilities. Much more research at the interface of marketing, economics, sociology and psychology remains to be done on the "new rich" in emerging markets.

2.2 Sociocultural Factors

Migration and urbanization are important phenomena that accompany the process of development. Rising incomes reduce the emphasis on farming leading to rapid industrialization and urbanization. According to the World Bank, urbanization in China and Indonesia doubled and increased forty percent in India between 1980 and 2012. Rising urbanization and mobility mold consumer preferences and consumption patterns and have broader sociocultural impacts. Consequently, they may be useful for researcher interested in identifying sociocultural effects.

As Fig. 5 shows, emerging markets like China have exhibited rapid rates of urbanization.

Even within the areas classified as urban, towns have varying levels of income and expenditure. According to Table 1 below, the largest towns in urban India are the biggest contributors to urban income, expenditure and saving, with rates more than double that of the lower-tier cities.

Individuals moving to urban areas gain access to a wide variety of new product choices and their preferences evolve. Atkin [3] finds that Indian migrants, even at subsistence level, are willing to pay a premium for foods from their regions of origin. Fan et al. [21] find that rural Chinese adolescents who move to urban areas for education shift preferences dramatically towards the leading brands in the urban areas, relative to their traditional family preferences, but mostly in categories where there are high levels of involvement. Temporary migrants may also import urban tastes and products into rural settings. There is little research investigating the spread of urban tastes and norms to rural areas, although what evidence there is suggests these effects may be strong, even affecting choices as fundamental as fertility [44].

Migration also changes social networks [48]. Outside the dense social networks of rural villages, informal markets may emerge for services such as insurance and match making, services that otherwise would be provided by the community. Social networks in rural India have significant impact on adoption of microfinance products, patterns of exchange and social learning among individuals [6, 7, 16]. Exploiting informational advantages present in social networks, Goldberg and Chintagunta [27] conduct a randomized experiment to test whether referrals can be useful in detection of a highly contagious disease like tuberculosis.

The dynamic nature of emerging markets provides a laboratory for new behavioral research on culture and socioeconomic class. Much of the cross-country research in marketing has focused on East–west differences. For example, Asians are considered often considered to be more interdependent, dialectic thinkers, while Europeans and American are often considered independent and non-dialectic thinkers [45, 64]. However, research on socioeconomic class within the USA as well as a few other countries, suggests that this generalization may not hold across the socioeconomic spectrum. Middle-class people tend to be independent while working class people tend to be interdependent [28, 67]. Many reasons are provided: middle classes have greater access to economic capital, more geographic mobility (domestic), and greater opportunities for choice and control and independence enhancing socialization practices than do the working classes [43, 60]. Swiftly rising economic mobility in emerging markets provides us opportunities to assess whether the cultural differences between the "east" and the "west" that have been extensively discussed in the literature may actually have more to do with economic differences. Note that Asians in some of the wealthiest East Asian countries (e.g., Japanese) remain highly interdependent as compared with Western Europeans and North Americans even today [41]. Asian Americans are distinctly less independent as assessed by a variety of self-report and behavioral indicators, compared with their European counterparts [49]. As mentioned earlier in the discussion on migration, traditional cultures are likely to persist even when transplanted in different cultural contexts. The available evidence suggests that national culture and socioeconomic status are likely to have additive effects on independence and interdependence [28, 31].

Other factors that have been linked to independence (vs. interdependence) include frontier settlement [40], herding and other forms of subsistence requiring less social coordination [65], residential mobility [51], and relative security from pathogen risks [22].

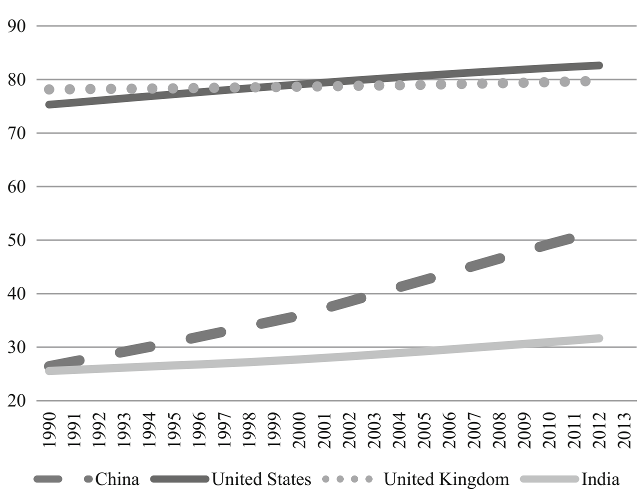


Fig. 5 Growth in urban population. Source: [70]

Migration is often associated with higher levels of independence [42], as well as certain personality traits such as extroversion and sociability [35]. Hence, new markets emerging in large population centers may be expected to be more open, not confined to small network of in-group members. Overall, Savani et al. [56] note that "India provides a natural laboratory for testing how rapidly changing sociocultural contexts shape agency and for further theorizing about the ways in which agency is contingent on meanings and practices."

2.3 Infrastructure

The rapid growth in emerging markets facilitates investments in both hard and soft infrastructure that reduce transaction costs and facilitate commerce [39]. Hard infrastructure refers to physical infrastructure such as electricity, roads, ports, and bridges. Soft infrastructure refers to institutions—intermediaries that produce information, trading platforms, and regulation. Absence of information can lead to lack of trust which stunt commerce in emerging markets. Emerging markets are characterized by under-developed or absent hard infrastructure and institutions; these voids have a significant impact on market outcomes.

2.3.1 Hard Infrastructure

Lack of hard infrastructure has profound impacts on all aspects of the marketing process. One of these is new product adoption where poor infrastructure can hinder but also aid new product adoption. Electricity and roads are critical for adoption of many modern durable and transportation, so their poor supply will discourage adoption. However, these constraints may encourage firms to innovate in different dimensions like product design or distribution. In some cases, firms may discover a demand for their "constrained" innovations from emerging markets in mature markets, a process coined as "reverse diffusion." Infrastructural problems which increase the costs of one alternative increase the benefit of another. For example, lack of fixed telephone lines has led to the rapid adoption of cellphones in many emerging markets [34]. The brisk spread of mobile money in African countries, especially Kenya is due to the under-provision of banking infrastructure in those economies [32]. Mobile technologies have also played a role in allowing firms to overcome distribution barriers (Suri et al., mimeo). The uneven quality of infrastructure in combination with increasing internet penetration may increase the relative benefits of online shopping, especially for smaller or rural markets [23]. More work focused on quantifying the importance of infrastructure on product adoption, takeoff, and overall welfare would be a welcome contribution.

2.3.2 Soft Infrastructure: Institutions

Weak legal institutions can lead to the persistence of market protocols which, from a developed country perspective, may seem primitive or otherwise "second-best." Firms may either choose to circumvent these institutional voids or make private investments to create this soft infrastructure. Lack of individual credit ratings has led to greater reliance on prepaid cellphone plans in emerging markets relative to developed markets. Other examples include bilateral bargaining in the auto-rickshaw market in India [38] and the curious design of tea auctions in Bangladesh [30].

Lack of (or excessive) regulation, corruption, and weak enforcement of laws can all lead to distortions in market outcomes and create barriers to entry. In emerging markets, firms often encounter more regulatory barriers to doing business. As Table 2 shows, entrepreneurs must navigate many more regulations to start firms in emerging markets

Changes in regulation across time or level of implementation often serve as natural experiments to make causal inference about issues of managerial and economic interest. For example, Tewari and Wilde [63] use the phase out of a series of regulations that "reserved" certain narrowly targeted activities to small firms to show that these regulations artificially restricted firm size and productivity. Foster and Gutierrez [24] evaluate the effects of a voluntary environmental certification program in Mexico on air quality using remotely sensed data. The authors find that Mexico's clean industry program indeed had no direct effect on emissions of certifying firms, but a substantial effect on emissions of non-certifying firms because certification lead to a more efficient targeting of inspector effort.

Corruption and lack of enforcement create frictions in doing business in many emerging markets. Sudhir and Talukdar [61] find that even though computers enhance retailer productivity, adoption is restrained to avoid transparency to the tax authorities. They find that computer adoption

Table 2 Share of total urban population, income, and expenditure by town size (India)

Town size (in 00,000)	Population	Income	Expenditure	Saving
Over 50	21.9	31.3	28.1	39.3
10–50	18.9	18.8	18.9	18.6
5–10	10.8	10	10.6	8.4
2–5	13.2	11.9	12.4	10.7
1–2	9.8	8.6	9	7.5
0.5–1	8	6.4	7	5
Below 50	17.4	12.9	13.9	10.4
Total urban	100	100	100	100

Source: NCAER [58]

is reduced when corruption is high and enforcement is weak. Not accounting for this motivation to hide from the formal sector underestimates productivity gains from computer technology adoption. Enforcement of copyright infringement laws itself is endogenously related to firms specific factors such as strength of relationships with the government and the common work and educational experience of the brand managers and relevant government officials [53]. In another example of how corruption can profoundly affect firm behavior, Singh [58] models corruption arising due to the incentive of the agent to select a non-deserving firm in exchange for bribes. As buyer increases monitoring (but not perfectly), suppliers become reluctant to offer bribes, but in equilibrium bribe offers are made only by non-deserving firms; making it more likely that the final supplier is non-deserving

2.3.3 Trust

Weak legal institutions for dispute resolution restrict arms-length transactions to be among people who have strong relationships outside of the business setting (such as between family, friends, or neighbors), allowing for punishments outside the legal system. This is even more important when information asymmetry is great, as in online transaction. Managing the trust deficit to allow for these markets to flourish is therefore important in emerging markets. The online reputation system and escrow service provided by the Chinese online marketplace Taobao [15], anti-counterfeit devices for pharmaceutical markets [10] are examples of the private sector filling in the institutional void created by lack of trust between buyers and sellers. Qian et al. [54] demonstrate a self-correction market mechanism where authentic brands would invest in searchable quality to separate themselves from counterfeits when infringement becomes rampant.

3 Marketing to the "Bottom of the Pyramid"

Despite the rapid economic growth, large segments of emerging markets remain poor with incomes less than $2 a day (the World Bank defined poverty line). Prahalad [52] popularized the phrase, "bottom of the pyramid" to describe these customers and inspired the idea that this segment of customers represent a profitable untapped market. Furthermore, the welfare consequences of increased penetration of new health, agricultural and financial products and technologies that can be facilitated by appropriate marketing is potentially enormous.

It is important to recognize two key factors that distinguish the decision making behavior of the poor relative to the middle class. First, stringent resource and institutional constraints affect product purchase decisions among the poor: in terms of what they buy, how they finance the purchase. Second, the institutional environment and scarce cognitive resources [57] affect the preferences of the poor. Absent trust and institutional protection, the poor may exhibit greater risk aversion, and social learning through informal networks may become more important.

3.1 Constraints

Low adoption of inexpensive, but efficacious products and technologies– healthier cookstoves, anti-malarial bed nets, vaccines, insurance and savings schemes, and agricultural technologies like fertilizer and high yielding seeds—among the poor has been a major puzzle. Field experiment based studies of demand indicate that charging even a small price for such products dramatically reduces take-up (J-PAL [36]). Researchers have sought to tease out the precise explanation for this high observed price sensitivity. It could be that the utility from using these products is low (which may also be due to lack of information about the potential benefits), or that the poor are liquidity-constrained. The optimal marketing response is different depending on which explanation is correct. Results from experimental studies generally conclude that liquidity constraints are relevant.

This leads to a new puzzle that is related to the way that products are financed: if the returns to using certain products are sufficiently high, why don't the poor borrow money or gradually accumulate savings to purchase such products? It turns out that at very low levels of consumption, the poor household face very high opportunity costs of savings: it is too difficult to save if one has to skip a meal. Informal risk-sharing networks can also interfere with individual ability to save because of social pressure to share ones income with friends and relatives [33]. On the supply side, providing formal savings products in rural areas is not financially sustainable because of the high administrative costs of collecting tiny sums of cash at frequent intervals [9].

In summary, savings, credit, and liquidity constraints are critical for mediating demand for new products among poor consumers in emerging markets, and marketing strategies must be paired with innovations that address these constraints to be successful. For example, mobile banking through M-PESA in Kenya has been shown to increase transfers between poor households [32].

3.2 Preferences

The constrained environment in which developing country citizens make purchase decisions can condition their preferences. The resource constraints of the poor require them to pay much closer attention to every financial decision, which in turn makes them more cognitively constrained, leading to more behavioral biases in decision-making [57]. For example, the poor may use more habitual and automatic decision making to minimize the use of scarce cognitive resources required to 'think about' that decision, and well-designed marketing strategies and public policies can steer people towards good habits (e.g., hand-washing, toilet use, chlorination) rather than bad (e.g., open defecation, and poor hygiene practices). Research on habit formation and situational habit cues from the psychology literature can be valuable in product design [68]. Curtis et al. [17] discuss the role of planned, motivated, and habitual behavior to promote soap use in hand washing in developing countries. With narrower margins-of-error in decision-making, and in the absence of institutional support to mitigate risk, any inefficient product purchase decision can have more pronounced adverse effects. The poor therefore may appear more risk averse and less willing to experiment with new products [12]. Credible warranty schemes may be difficult to provide in such environments, leading to greater brand loyalty.

Another distinguishing feature of developing country marketing environments is that credible information about product quality and suitability is difficult to obtain. Consumers are less informed on average; therefore advertising, marketing messages, social learning, and word of mouth become even more critical than in developed countries [11]. We see examples of this in many domains—health and educational choices [46], financial decisions [14], and agricultural investments [25].

Social networks are important beyond their role in information transmission, as providers of job referrals [8] or institutions to share risk [47]. This creates community-wide demand inter-linkages and even strategic complementarities in individual demand functions. This can imply that a community, rather than an individual, is the appropriate marketing target.

4 Methods for Emerging Market Research

We now discuss some methodological issues that become relevant in doing emerging markets research. First secondary data typically available in developed countries may not be available. For example, scanner panel data that is widely available through Nielsen and IRI in the USA and Europe are not yet available in emerging markets, were still a large section of the population shops at mom and pop traditional retailers. Marketing scholars may need to collect primary data (e.g., [50]) to address appropriate questions. Alternatively, statistical methods that are appropriate for the limitations of the data need to be developed to answer such questions. This may prove to be a fertile opportunity for methodological scholars to contribute.

Second, the cost of primary data collection can be much lower. This could mean new studies answering substantive questions that might not be feasible in developed countries with data from emerging markets. For instance, participation in experiments can be much cheaper in emerging markets. Behavioral scholars are already conducting a variety of experiments in the field in emerging markets taking advantage of the lower costs. For example, Ariely et al. [1] are able to create large stakes through fairly small dollar amounts in Madurai, India due to the lower incomes in small-town India. Field experiments have been a useful tool in the development economics literature, and we believe such randomized control trials may become more popular in marketing, as the cost of data collection goes down within emerging markets. Several of the studies in the previous sections have a randomized field experiment design.

Finally, empirical research in international marketing has traditionally focused on cross-country regressions that generate descriptive relationships between variables and outcomes of interest against country characteristics. Cross-country-dependent variables of interest include new product adoption (e.g., [26, 61] and marketing mix sensitivity (e.g., [18]). Other studies have focused on private label success, global versus local brand, brand positioning and market segmentation [59]. The explanatory variables in these cross-country regressions typically include economic and demographic factors, measures of culture such as Hofstede metrics or specific metrics of relevance obtained from cross-country surveys. Such studies have provided a large set of broad-brush insights about differences and variations in research variables of interest and should continue to help advance our understanding of emerging markets and international marketing broadly Table 3.

Market outcomes, however are a result of rich, but subtle interplay of various economic, social, cultural, and institutional factors which are difficult to capture in cross-country specifications. Hence, in the future, we advocate that empirical research in emerging markets (and more broadly international research) rely on country and industry-specific analysis that models the specifics of the market environment to gain insight into the causal empirical relationships between market characteristics and outcomes. The approach we advocate is similar to the New Empirical Industrial Organization framework of industry studies that has substantially replaced the Structure-Conduct-Performance framework of cross-industry studies in both Industrial Organization and marketing (see [37]). An

Table 3 Number of days to open a business across countries

Brazil	107.5
India	27
USA	5
UK	12
China	33
Russia	15
Germany	14.5

Source: [70]

Table 4 Key themes emerging markets research

	Emerging markets	Implications for managers/researchers
Heterogeneity and dynamics	1. Richer set of socioeconomic, cultural and institutions	1. Can study new substantive questions
	2. Fast growth leads to more temporal variation in above market characteristics	2. Easier to show causality
Demand segments	1. Fast growing "new rich"; small share, but large absolute numbers	1. Luxury marketers find the large numbers (even if small share) attractive
	2. Growing middle class	2. Researchers can study characteristic of the new and emerging rich, during their period of transition
	3. Very large, but shrinking segment of poor	3. The large share of poor (even if low income) is an attractive target for marketers of many day to day necessities
Data and methods	1. Data may be lower quality or more aggregate than available in developed countries	1. New methods to address data limitations
	2. Lower costs to collect primary and experimental data	2. Cheaper primary data collection may help answer new questions
	3. May obtain more detailed data from companies with fewer privacy concerns	3. Cheaper experimental approaches can aid in proving causality more easily
	4. Unique country-specific differences in institutions, market structure, consumer preferences, etc.	4. Richer data from companies open up new questions
		5. Cross-country studies should be augmented and complemented by country and industry-specific empirical as well as game theoretic studies that model the richness of each of these markets

imaginative combination of observational and randomized studies can lead to deeper understanding of these markets.

Game theoretic models can also be used to generate equilibrium insights into many phenomena that arise in emerging markets. Recent papers use this approach to address a variety of topics such as competition in corruptible environments [58], country of origin effects [71], counterfeiting [54], and exchange programs [19].

5 Conclusions

Emerging markets present an exciting opportunity to deepen our theoretical understanding of markets and marketing. We summarize the key points of the paper in Table 4.

Heterogeneity in the social, cultural, economic, and institutional market environments and the rapid pace of dynamics in the environment expand the scope of variables and interrelationships that have been traditionally investigated in marketing research. Also, the presence of large segments of poor consumers who face constraints not faced by the middle class provides opportunities to expand theoretical understanding and extend marketing research into the critical areas of social marketing.

Methodologically, we advocate taking advantage of data limitations to create new methods; and also leverage of cheaper data collection opportunities to answer new questions that might be too costly to answer in developed countries. Finally, a transition from exploratory multi-country studies to country-specific studies that model the outcomes as a function of the specific industry or country characteristics to generate deeper insights can be a productive endeavor.

Using a range of examples, we have illustrated that a multidisciplinary perspective drawing from scholarship from development economics, industrial organization, cultural, and social psychology can help lay a rigorous and multi-faceted foundation that encompasses a rich range of research problems in emerging markets. Such research on emerging markets can help deepen our understanding of markets and marketing.

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