Global shifts in marketing strategy: a new research agenda

Abstract

Marketing strategies are changing fast in the global marketplace as the competition is increasingly growing since the beginning of this century. Multinational companies believe that customer is not just a buying entity but a powerful business partner. In this growing competitive spree multinational companies are exploring remote markets to position global brands. This paper examines the new concepts put forth by contemporary research studies on emerging marketing strategies and their effects on consumer behavior. Global shifts in consumer strategies in reference to quality of relations, competitive leadership and shopping behavior of consumers in the emerging markets are critically analyzed and future directions for research in changing business environment are proposed.

Keywords: globalization, competition, consumer behavior, sales promotion, bottom of the pyramid, customer-centric strategy.

Introduction

Globalization is not a new phenomenon, but it is more pervasive than before. A century ago, for instance, there was stronger local market orientation of regional brands than those of multinational firms. The marketplace remains the same now but brands and modalities of business have been shifted. Throughout the past century, new technologies in retailing have continuously caused upheaval among firms striving to capture higher market share and become market leaders. However, now in the media age consumers are constantly facing conflicts with change that they would otherwise not be aware of. There has been a strong customer and market orientation in building the concept of globalization across the countries and marketplaces.

Multinational companies from leading countries enter the secured country markets and drain out the regional players from the benefit market segments. However, many Japanese companies have not lived to the anticipated success against the international competition. Consequently, the Japanese markets that were long protected under various tariff and non-tariff barriers were removed by the government nodding to the global business trends of liberalizations. The prominent business moves of the multinational companies include Japanese electronics and automobile companies, Germany’s BMW, Ciba-Geigy, Nestlé, Proctor and Gamble, etc. Operating in the global environment requires mastered skills to penetrate the host countries particularly under the conditions when the trade barriers and government protections have been removed and business policies have been restructured. The phenomenon of the global customer is growing in importance every day and so too is the global-customer-centric organization.


Fig. 1. Strategy transformation paradigm in global marketplace

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The global business process stands by the customers and many firms are engaged in developing customer-centric marketing strategies. The convergence of customer and corporate strategies is one of the core constitutes of global business policies. Such business policy convergence has been explained in Figure 1.

There has been substantial thinking blown in shifting the marketing strategies with the focus on marketing with consumers instead of marketing to consumers. Economists, management experts and statisticians are of the strong opinion that big demographic and social lifestyle shifts will impact business in this new decade, century, and millennium. Fickle fashions, ageing but wealthy populations, retired people inheriting trillions of dollars, an aggressive war for top talent, female consumer influence, human cloning, medical breakthroughs, and a host of other factors, including the huge untapped challenge of mega-city markets in emerging economies. The changing structure of family patterns and processes of individualization also contribute to growing diversity in consumption patterns. The cultural imperialism is said to impose cross-cultural values as well as products, promote the commercial at the expense of the authentic, and substitute shallow gratification for deeper satisfaction. Marketing technology is reshaping culture through Internet and individual choice is fragmenting the imposed uniformity of national cultures. New hybrid consumer cultures are emerging, as well as those embedded regionally are re-emerging.

This paper examines the new concepts put forth by contemporary research studies on emerging marketing strategies and their effects on consumer behavior. Global shifts in consumer strategies in reference to quality of relations, competitive leadership and shopping behavior of consumers in the emerging markets are critically analyzed and future directions for research in changing business environment are offered. The growing congestion of shopping centers and performance of retailing firms in changing urban marketplace are also discussed in the following text.

1. Customer-centric marketing strategy

The role of marketing strategies in fostering controlled consumer empowerment is reflected in the development of information-based consumer-centric marketing strategies that seek to enable and control delegation (Rajagopal, 2009a). There is a need to regain control over the marketing process, that is, to either manage the technological empowerment of consumers or to devise new strategies that are cognizant of the possibility that such technological empowerment cannot be managed. The valuation of consumer loyalty in this environment rises significantly (Pires et al., 2006). The customer touch-point analysis of the organization facilitated the alignment of functional groups within the organization (product, sales, customer service, etc.) and equipped them to deliver on newly developed, segment-specific value propositions. Co-design activities are performed at dedicated interfaces and allow for the joint development of products and solutions between individual customers and manufacturers (Berger et al., 2005). Knowledge sharing through face-to-face communication is positively related to both product and financial performance, while technological knowledge sharing has a positive effect on product performance under conditions of high technological dynamism.

Customer-centric research aims to develop pro-customer strategies to focus on better ways of communicating value propositions and delivering the complete experience to real customers, learning about customers and experimentation with different segmentations, value propositions, effective delivery of services (associating customers in the process) and help frontline employees acquire and retain customers with an increasing satisfaction in the sales and services of the firm (Selden and MacMillan, 2006). The management of service centers is often found to be reactive to such situations which affect the level of customer satisfaction due to time and task adjustments (Bagodi and Mahany, 2007). Satisfaction plays an important role in relationships, is instrumental in increasing cooperation between channel partners and leads to fewer relationship terminations (Ganesan, 1994).

2. Growing urban marketplaces

Marketplaces in urban demographic settings attract a large number of buyers and sellers, which can be termed as market thickness. The coexistence of many shopping malls with traditional markets in a marketplace causes market congestion. This problem may be resolved by developing small kiosks for transactions and allowing consumers to test out customized products and services from the main stores (Roth, 2008). The growth of market share for specialized retailers and large departmental stores depends on the size of the consumer segment in a given urban population. It is observed that consumers’ buying preferences become more diversified as the extent of retail stores increases within a confined area. Thus, the market size reaches a threshold and the consumers’ shopping preferences are jeopardized owing to indecisiveness in shopping. However, shopping centers and
hypermalls have become important elements in the urban landscape, though lack of planning and vision has led to chaotic development and congestion of marketplaces, affecting the growth of the retailers (Kok, 2007).

The social demand for environment friendly shopping malls is increasing as a result of rapid urbanization. To ensure the efficiency of public spending, their provision should be based on the socioeconomic criteria of the region. Hence, suburbanization has been continuing in developing countries such as Mexico, along with the increase in market expansion (Rajagopal, 2009b). It is observed that agglomerations of small stores selling similar to ranges of goods around the shopping malls also cause congestion, and often divert attraction of price-sensitive shoppers towards unfamiliar brands. Although such agglomerations of retailing activity are not unique to Mexico, as there are market places accommodating large numbers of small retail outlets, the development is arguably unusual in the ways that the numbers of agglomerations continue to grow and these new agglomerations are dealing in a wide range of goods including electronic gadgets (e.g., Blois et al., 2001).

It is found that assortment of stores, mall environment and shopping involvement have a differential influence on excitement and desire to stay in malls, which in turn are found to influence patronage intentions and shopping desire in malls (Wakefield and Baker, 1998). However, it is evident from some research studies that conventional retailers in and around the mall and new age tenants have different target groups to serve, small traditional retailers possibly coexist around large shopping malls. Contemporary retailers seem not to have evolved enough to replace conventional retailers around their marketplace (Ibrahim and Galven, 2007). In fact, the presence of small retailers’ traditional marketplaces, such as Pericoapa1 in Mexico DF, has driven an alternative option for mall managers to rejuvenate the shopping attractions as well as allow a variety of shops in the malls (Rajagopal, 2009b). The retailing territories in Mexico are complex, comprising the distinct habitation pattern, transit system and state-licensed periodic street markets bridging gaps in public spaces. Such urban planning allows for retailing integration and collective behavior of consumers in street markets and shopping malls (e.g., Loafland, 1985).

3. Intensive competition

In retailing sector, new players constantly emerge to satisfy consumer demand better locating stores in attractive shopping malls. Retailing strategies are driven by competitive stimulus as consumer demands and desires shift with new offerings and existing firms disappear when they can not adapt to the change. Retailers seek to dominate a distinct classification of merchandise and wipe out the competition. Retailers in shopping malls engage outsourced salespeople to promote their brand and prospect new shoppers. The bargaining power of firms increases with outsourced salespeople who stimulate the demand for products and contribute to the enhanced sales at retail outlets. It has been observed that pull effect for the brands supported by the sales promoters increases at the retail stores as customers gather the pre-buying information from sales promoters (Gomez et al, 2007). It is observed that retailers in shopping malls develop competition over business hours and price. Such strategies affect consumers’ shopping attraction and intensity of shopping as often change in business hours leads to store switching behavior. However such competition can not be stretched by the retailers beyond social optimum (Shy and Stenbacka, 2008).

It has been further evidenced by another study that retailers compete for market share using both price and variety. Retailers display extensive product lines and new variety of products in their store and keep differential prices as retail competition suggests that product heterogeneity is critical to retail price to gain competitive advantage over others. However, retailers in large shopping malls tend to follow moderately cooperative strategy, thus competition between malls and smaller forms of shopping centers has led mall developers and management to consider alternative methods to build excitement with customers (Timothy and Stephen, 2006).

Multinational companies are now on the run to explore semi-urban and rural markets which have been identified as Bottom of the Pyramid (BoP) market segment. The BoP marketing strategies are contemplated towards stimulating commerce which reveals that multinationals could radically improve the lives of billions of people and help create a more stable, less dangerous world. Achieving this goal does not require a multinational company to spearhead global social-development initiatives for charitable purposes (Rajagopal, 2009c). Prahalad along with Hammond (2002) laid out the business case for entering the world’s poorest markets deliberating that 65 percent of the world’s population earns less than US $2,000 per year, that’s 4 billion people. But despite the vastness of this

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1 Historically, this market was started as a casual market, which is now a shopping mall and major entertainment complex. However, stores in this market are somewhat informal and deal in variety of consumer and electronic merchandise.
market, it remains largely untapped. The philosophy of managing bottom line markets gave a clear indication to the multinational companies that the reluctance to invest is easy to understand, but it is, by and large, based on outdated assumptions of the developing world. Although individual incomes may be low, the aggregate buying power of poor communities is actually quite large, representing a substantial market in many countries for what some might consider luxury goods like satellite television and phone services. Because these markets are at the earliest stages of economic development, revenue growth for multinationals entering them can be extremely rapid (Prahalad and Hammond, 2002).

The debate on BoP markets rows various perspectives including global firms which confront their own preconceptions particularly about the value of high-volume, low-margin businesses for companies to master the challenges or reap the rewards of these developing markets. Thus global firms need to start thinking about their marketplace as all six billion people on the planet (Prahalad and Dearlove, 2009). Global firms could augment revenue through poverty alleviation as the poor deserve world class products and services. The lifestyles of the poor are different than their income levels might suggest, as can be seen from the way poor people allocate their income to consumption (Prahalad, 2002).

4. Changing consumer behavior

Five essential qualities of aesthetic judgment, which include interest, subjectivity, exclusivity, thoughtfulness, and internality, need to be nurtured among consumers to develop conviction in buying. The quality of aesthetic judgment driven by in-store aura and arousal on new products, exercised by the customers in association with the sales promoters, determines the extent to which new products and brands promoted enhance quality of life (Dobson, 2007). Convergence of sales promotion, customer’s perceptions, value for money and product features drive arousal among customers. The nature of customer-retailer relationship functions as the key in selling and buying process in reference to in-store promotions. However, in this process the perceptual problems with customers can greatly devalue the customer-promoter relationship and brand as a whole (Platz and Temponi, 2007; Rajagopal, 2007). Consumer appreciation of premium-based promotional offers is more positive when the premium is offered through an easy process and in combination of relatively lower quantity of products to purchase. It has also been found that when value of the premium is mentioned and brand perception is positive, compulsive buying tendencies are higher among customers (d’Astous and Jacob, 2002). The in-store environment variables in the shopping malls driving impulsive buying behavior include display of point of sales posters, exhibiting promoting discounts and cheaper prices, while the atmosphere engagement referring to enjoyment, elegance, and attractiveness is conveyed by ambience inside the shopping mall. Such behavioral drivers may also be referred as in-store promotional effect and atmospheric effect (Zhou and Wong, 2004).

Perceived attractiveness of products, firms and retail stores significantly influences the consumer-brand relationship development process in meaningful and predictable ways. Owning a brand by consumers’s influences their opinion of the desirability of the brand as a relationship partner. The quality connection between personality traits and brand association depends on the perceived attractiveness of the brand to a large extent. However, the role of attractiveness in the relationship varies across individual brand personality dimensions (Hayes et al., 2006). There is a significant positive relationship between brand trust and brand share in the competitive marketplace. It is also observed that relationship between brand strength which is determined as the degree of behavioral relevance of the brand and brand trust catalyzes the consumer association with brands in the longrun (Xie, 2008; Burmann et al., 2009).

Buyers also intend to acquire knowledge on brand origins, which significantly influences judgments on product quality, brand attitudes, and choice behavior in the marketplace. Buyers commonly obtain modest knowledge on the origins of brands to determine the performance of brand. It is observed that proficiency of buyers in recognizing foreign brand origins is predicted by variables such as socioeconomic status, past international travel, foreign language skills, and gender. Brand origin recognition is based largely on consumers’ associations of brand names with languages that suggest country origins (Samiee et al., 2005). Besides, information on attributes of the products, use value, and informative and normative interpersonal communication influence the relationship between brand personality and consumers’ acceptance of brand. Thus, the relationship between brand information and consumers’ acceptance of brand affects behavior of consumers directed toward action or change driving impulse, desire, volition, and striving for the brand. These factors are considered as conational drivers which determine the decision of buyers towards association with the brand (Rajagopal, 2008; Xie, 2008). Cultural dimensions of buyers’ self-image offer deeper insights regarding motives and desires.
on buying brands. The interaction of consumer self-image and perceived brand-image is to moderate the decision of buyers to develop temporal association (short-or long-run) with the brand (Andronikidis, 2008).

5. Sales promotions and shopping arousal

Retailers using a "store as the brand" strategy invest in creating a specific, unique shopping experience for their target customer and encourage leisure and group buying behavior where delivery of customer satisfaction seems to be an effective source of differentiation (Carpenter et al., 2005). Change-of-season sales are most frequently introduced with attractive sales promotions in reference to price discounts or two for one price basis and linked with objectives of moving a volume of stock. Retail promotional sales also include general sales, and these are linked with other promotional objectives and activities such as increasing profit and inventory management (Fam, 2003). Convergence of sales promotion, customer’s perceptions, value for money and product features drive arousal among customers. The nature of customer-retailer relationship functions as the key in selling and buying process in reference to in-store promotions. However, in this process the perceptual problems with customers can greatly devalue the customer-promoter relationship and brand as a whole. Consumer appreciation of premium-based promotional offers is more positive when the premium is offered through an easy process and in combination of relatively lower quantity of products to purchase (Rajagopal, 2009e).

Arousal among young consumers plays a key role in buying decisions. Shopping arousal is largely driven by store attractions, interpersonal influences, self-reference criteria, and comparative gains. Aroused retail sales strategies for affordable fashion and entertainment products drive buying decisions of young consumers. Managers of retailing firms need to consider promoting shopping arousal with the advent of one-to-one marketing, media-targeted direct mail or Internet marketing and to explore the opportunities to develop relationships with young consumers. One of the challenges for success in retailing is to enhance the in-store ambiance to influence young consumers for a prolonged stay in the store for shopping and exploring the zone of experience of new products (Rajagopal, 2009d). The consumer behavior emerging out of external or internal forces may be referred as derived varied behavior while direct varied behavior has been defined in reference to ‘novelty’, ‘unexpectedness’, ‘change’ and ‘complexity’ as they are pursued to gain inherent satisfaction. In a study the influence of product-category, and level attributes were examined and six influential factors, which are involvement, purchase frequency, perceived brand difference, hedonic feature, and strength of preference and purchase history, have been identified (Trijp et al, 1996).

Conclusion

In view of Maslow’s hierarchy of needs, customer-centered marketing strategies try to lift products to higher levels of need satisfaction, like belongingness, love and esteem as compared to the performance of products employed with market-oriented strategy. It is observed that most firms have switched to the retailing philosophy of ‘marketing with consumers’ that emphasizes the customer-centric marketing strategy. Hence, consumer needs, perceived use value associated with the product, and the attitudinal variables of the consumer form the core of consumer personality.

Measuring and improving service performance becomes an essential strategy for success and survival in today’s competitive situation, as service industries are sprouting at an incredible rate. Customer satisfaction is perceived to be a key driver of long-term relationships between suppliers and customers, especially when customers are well acquainted with products and markets, and when industries are highly competitive. Services efficiency is one of the principal factors which influence customer satisfaction in a business-to-consumer context and help bridging customer-retailer-distributor triadic relationship. Effective customer-distributor associations help in decreasing the business conflicts and retain customers with high life time value. High conformance post-sales services of retailers and distributors and value added customer relationship to offer high customer satisfaction. Customer-seller relations are subject to both controllable and non-controllable forces of change, which may have varying effect on the logistics performance. However, effective co-dependence would help sustainable length of relationships and optimize the performance of dealers through higher degree of conformance to customers’ satisfaction on the services offered.

Issues for future research

In view of the globalization effects and shifting marketing strategies of multinational companies, many avenues for future research are opened. New research studies can be explored in the area of cognitive dimensions affecting shopping arousal, marketplace attractions, inter-personal influences, and sales promotions driving behavior of urban shoppers. Research can also be directed in the related areas of changing market taxonomy, shopping ambiance and impact of customer centric-
marketing strategies on consumer behavior. Future research could examine the issues related to the customer perceptions of quality and retailer or dealer performance. Identifying the variables that have an intervening effect on the quality-performance relationship may provide both academics and managers with potentially compelling answers to the question of why customer oriented quality improvement programs sometimes do not succeed (Rajagopal, 2009a). The market orientation of a firm has significant influence on the behavior and attitudes of its sales force, which can be studied in relation to the cognitive and economic factors related to a business firm.

The emerging research perspectives encompassing market expansion include bottom of the pyramid marketing strategies of multinational companies to prevent the escape of consumers. Performance of global brands in low profile consumer market segments through brand promotions, consumption and consumer value chain may be other interesting area of research to be explored in reference to the marketplace in developing countries. The impact of economic variables on the shopping arousal and compulsive buying behavior in response to competitive sales promotions may also be considered in reference to market orientation of a retailing firm. The role of retail competition, account retail strategy, and demographics in determining promotional response are also potential issues to be pondered over in future research.

Bottom of the pyramid market segments are emerging as core marketplace for the global firms in future. The future research may be directed in measuring the performance of global brands in low profile consumer market segments and exploring implications of high transaction costs and coordination problems along the brand promotions, consumption and consumer value chain. Research in the direction of socio-cultural leverage for global brands in these market segments and co-creation of market strategy by multinational firms in association with local distributors and consumers also need to be pursued. Approaches on market segmentation in reference to value and lifestyle, and personality attributes of consumers need to be examined to determine the possibility of convergence of positive effects of bottom line marketing strategy on higher loyalty of consumers.

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