Intern. J. of Research in Marketing 30 (2013) 57–68

Contents lists available at SciVerse ScienceDirect

Intern. J. of Research in Marketing

journal homepage: www.elsevier.com/locate/ijresmar

Winning hearts, minds and sales: How marketing communication enters the purchase process in emerging and mature markets

Koen Pauwels [a,*], Selin Erguncu [b], Gokhan Yildirim [c]

[a] Marketing at Ozyegin University, Istanbul, Turkey
[b] Koc University, Istanbul, Turkey
[c] Management School, Lancaster University, UK

ARTICLE INFO

Article history:
First received in 21, October 2011 and was under review for 6 months
Available online 2 November 2012

Keywords:
Emerging market
Institutional context systems
Consumer mindset metric
Brand attitudes
Marketing-attitude responsiveness
Attitude-sales conversion
Econometric models
Hierarchical linear model

ABSTRACT

Consumers differ in the way their minds and hearts respond to marketing communication. Recent research has quantified effectiveness criteria of mindset metrics, such as brand consideration and liking, in the purchase process for a mature market. This paper develops and illustrates our conceptual framework of how mindset effectiveness differs between an emerging market and a mature market. We propose that the responsiveness, stickiness and sales conversion of mindset metrics depend on the regulative, cultural and economic systems that provide structure to society. In particular, we focus on regulative protection, collectivism and income. First, we propose that a lack of regulative protection leads consumers to be more attentive to, and thus more aware of, marketing communication. Second, we propose that consumers living in a collectivist culture are less responsive to advertising in their consideration and liking of the advertised brand. Finally, we propose that lower income among consumers reduces the sales conversion of brand liking.

We examine our predictions empirically with data for the same brands during the same time period in Brazil and the United Kingdom. First, we find that brand liking has a higher responsiveness to advertising, a higher stickiness and a higher sales conversion in the U.K. than it does in Brazil. Thus, the advice to focus on the emotional brand connection is more appropriate in the analyzed mature market versus the emerging market. In contrast, knowing the brand is more important to purchase in Brazil and is more responsive to advertising. These first findings establish an intriguing research agenda on winning hearts and sales in emerging and mature markets.

"Marketing principles are universally applicable, and the marketer's task is the same whether applied in Dimebox, Texas or Katmandu, Nepal" (Cateora & Hess, 1966, p. 4)."Consumers in emerging markets are more likely to talk about any kind of online advert than their counterparts in mature markets" (Mindshare, 2011).

1. Introduction

Both the opportunities and the threats of increasing globalization have created an urgency for companies to succeed in international markets (Burgess & Steenkamp, 2006; Chao, Samiee, Sai, & Yip, 2003). Companies from mature markets strive to win hearts and sales in emerging markets, which will account for most of the economic growth in the coming decades. For example, General Motors and Peugeot struggled to obtain a share of the Chinese market (Biziouras & Crawford, 1997; Engardio, Kripalani, & Webb, 2001), at least in part due to cultural misunderstandings (Chen, 2001). At the same time, brands from emerging markets, such as Lenovo and Haier, struggle to succeed in mature markets (Pukthuanthong & Roll, 2009) at least in part because they lack a strong emotional connection with their customers (Lindstrom, 2011; Wang, 2008). The opening quotes illustrate the clash between views that marketing principles are universally applicable and observations of different consumers' responsiveness to marketing communication. Is it truly the case that, in emerging markets, "building consumer hearts and minds" (Kotler & Pfoertsch, 2010) translates into higher sales? Can systematic differences in emerging versus mature markets help us predict how marketing communication enters the purchase process and converts into sales? These are the questions that guide us in this paper.

Despite considerable research on emerging markets, important knowledge gaps remain on whether and how marketers can influence consumer perceptions, attitudes and intentions — all of which we refer to as the "consumer mindset". While some researchers find that cognitive decision processes are universal across consumers (e.g., Aaker & Maheswaran, 1997; Douglas & Craig, 1997), they leave

* Corresponding author.
E-mail addresses: koen.pauwels@ozyegin.edu.tr (K. Pauwels), serguncu@koc.edu.tr (S. Erguncu), gyildiri@gmail.com (G. Yildirim).

0167-8116/$ – see front matter © 2012 Elsevier B.V. All rights reserved.
http://dx.doi.org/10.1016/j.ijresmar.2012.09.006

open the possibility of substantial differences in the extent to which the process components influence purchase and the power of marketing to affect this process. Such issues are largely unanswered in cross-cultural marketing research, which has focused on country-of-origin effects, consumer perception of local versus global brands (e.g., Batra, Ramaswamy, Alden, Steenkamp, & Ramachander, 2000; Ozsomer, 2012; Steenkamp, Batra, & Alden, 2003) and the content of advertising appeals (e.g., Aaker & Williams, 1998; Han & Shavitt, 1994). Though important, these factors do not address a more general question. Should brand managers focus on moving the needle on different aspects of the consumer mindset in emerging versus mature markets? Recent conceptual papers hint that this may be the case. For example, Burgess and Steenkamp (2011) and Cayla and Arnould (2008) highlight cultural differences in the importance of individual versus group decision making as a key reason for different branding strategies in emerging versus mature markets. What is currently missing is a conceptual model and empirical approach to analyze these differences and provide guidance to marketers aiming to increase brand sales in emerging and mature markets.

We propose that marketing effectiveness differs in the extent to which consumers (1) become aware of marketing communication, (2) are open to change their minds and hearts and (3) change their buying patterns accordingly. These properties may differ from consumer (group) to consumer (group) within a country, but also should systematically differ among consumers from a mature versus an emerging market. If this is the case, conceptual arguments and findings regarding consumer attitudes and behavior based on mature markets may not hold in emerging markets. Key examples include the mandate that brands should be romantic and mysterious 'love marks' (Roberts, 2005), and the finding that brand liking is very responsive to advertising and converts strongly into sales (Hanssens, Pauwels, Srinivasan, & Vanhuele, 2010). Based on the three "pillars of institutions" in institutional context theory (Burgess & Steenkamp, 2006; Scott, 2001), we propose that differences in regulative, cultural and economic systems reduce the generalizability of such findings. We analyze the extent of consumer protection as the regulative factor. As a key cultural difference, we focus on Hofstede's (1980) individualism/collectivism dimension and incorporate income level as the economic factor. Differences among these three systems translate into specific propositions on the marketing responsiveness and sales conversion of consumer mindset metrics.

Our contributions are twofold. First, we provide a unifying conceptual framework to translate consumer differences into observable criteria of market-level mindset metrics. Second, we empirically demonstrate the proposed differences in a longitudinal hierarchical linear model estimated on a unique dataset containing marketing, sales and consumer mindset metrics in Brazil and the U.K. As an initial test of our framework, this empirical study provides novel insights on how marketing enters the purchase process in a major emerging and a major mature country market.

The remainder of this paper moves from the research background to our conceptual framework and hypotheses. Next, we proceed with the empirical analysis that tests hypotheses on the level of market-aggregate metrics for Brazil and the U.K. After reporting the results, we broaden the specific findings into more general insights on how to advance research and help brands thrive in emerging and mature markets.

2. Research background and conceptual development

We base our conceptual framework on the three "distinct but interrelated pillars of institutions that provide structure to society" (Burgess & Steenkamp, 2006, p. 341), identified as vital elements of a country's institutional context in socioeconomic theory (e.g., Etzioni & Lawrence, 1991; North, 1990; Scott, 2001). Among the regulative, cultural and economic system factors, we focus on, respectively, consumer protection, individualism and income level. Next, we review the recent development of effectiveness criteria for mindset metrics. Combining both building blocks, we propose our conceptual framework of how institutional context differences affect mindset metric effectiveness criteria in an emerging versus a mature market. From this framework, we derive specific hypotheses for our empirical setting of a major emerging market (Brazil) versus a major mature market (the U.K.).

2.1. Regulative, cultural and economic system differences

As part of the regulative context, consumer protection against poor-quality products appears especially relevant to our study of how consumers respond to marketing communication. Lack of such protection is a key example of an 'institutional void' typically found in product markets of emerging countries (Khanna & Palepu, 2010). Beyond the existence of quality and safety regulations, Khanna and Palepu (2010) also ask the following questions: "How do the authorities enforce regulations?", "What recourse do consumers have against false claims or defective products?", "Can consumers easily obtain unbiased information about the quality of the goods and services they want to buy?" and "Are there independent consumer organizations and publications that provide such information?" Marketing literature has long demonstrated that quality uncertainty increases consumers' risk perceptions, which leads them to search for more quality information before purchase (Erdem, Swait, & Valenzuela, 2006; Money, Gilly, & Graham, 1988; Shimp & Bearden, 1982). In contrast, consumers enjoying strong protection may "assume that all brands offered by mainstream retailers deliver the same basic quality" (Hollis, 2010).

As to culture, one of the main issues facing all societies is to define the nature of the relation between the individual and the group (Schwartz, 1999). Researchers have labeled this tension as independent versus interdependent self-construal (Doi, 1986; Markus & Kitayama, 1991), individualism versus collectivism (Hofstede, 1980), separateness versus interdependence (Kagitcibasi, 2005) and autonomy versus relatedness (Schwartz, 1999). Following Hofstede (1980), we use the term "individualism" to identify the relative emphasis on the individual versus the larger social group. People in individualist cultures believe that *individual* is the most important unit. They are self-oriented, make their decisions based on individual needs and independently pursue their own ideas and preferences. Conversely, people in collectivistic cultures believe that the *group* is the most important unit. They are group-oriented, their decisions are based on what is best for the group and, identifying with the group and participating in its shared way of life, they find meaning in life largely through social relationships (Hofstede, 1980). Individualism–collectivism is "perhaps the most central dimension of cultural variability identified in cross-cultural research" and has inspired a substantial body of research in marketing (Aaker & Maheswaran, 1997, p. 315). Practical implications for managers are detailed in, e.g., Wang's (2006) distinction of how L'Oreal should implement different branding strategies in an individualist versus collectivist society.

As to the economic context, the gross domestic product (GDP) per capita or other measures that express purchasing power have long been used as the defining difference between mature versus emerging country markets (World Bank, 2010). Compared to the more complicated human development index of the United Nations, the GDP per capita criterion is easier to use and is more directly relevant to marketing as it focuses on available monetary resources in the country (Burgess & Steenkamp, 2006). When the GDP per capita is low, it is harder for consumers to 'follow their heart'; no matter how much consumers love a brand, they will not buy it if it is not affordable (Pfeiffer, Massen, & Bombka, 2007). Even for products considered low-ticket in mature markets, price can be an important purchase obstacle for emerging market consumers despite their positive disposition towards the brand (Steenkamp & Burgess, 2002).