How Consumer Mindset Response and Long-Term Marketing Effectiveness Differ in Emerging versus Mature Markets*

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ABSTRACT

This chapter develops a conceptual framework based on different dynamics in consumer attitudes, how they are affected by marketing mix and how in turn they affect sales. Empirical analysis seeks to illustrate this framework with emerging and mature market data for the same brands over the same time period. The results generate important implications especially for brand management in emerging markets. First, the emotional brand connection judged so important in mature markets is substantially less important than securing the brand's spot in the consumers' consideration set. Second, emerging market consumers are more willing to seek out distribution channels for their brands, reducing the 'compromised choice' loss of less-than-perfect distribution coverage. Third, price is a double-edged sword in emerging markets: a high price benefits sales through consideration, but hurts sales through liking. The net impact of these influences shapes the long-run sales effects of marketing.

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INTRODUCTION

Firms with brands from mature markets are challenged to succeed in each major emerging market (e.g. Immelt, Govindarajan, & Trimble, 2009), while firms with brands from emerging markets are also challenged to succeed in each major mature market. As an example of the latter, managers of Chinese brand Lenovo "are trying everyday to make Lenovo a global brand". They say "that is what our aspirations are: to become a brand that people around the world love" (Advani, 2006). Yet another example is from General Motors and Peugeot who 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). We believe that mainly regulative, cultural and economic differences affect consumer response to marketing communication, which in turn shape long-term marketing effectiveness. Thus, in this chapter we investigate how market and consumer characteristics alter marketing effectiveness on consumer perceptions, attitudes and intentions. Additionally, we quantify how this effectiveness evolves over time across countries.

Three main mindset metrics help us capture consumers' attitudinal responses to marketing communication. First metric is *communication awareness* that measures the extent to which consumers are aware of marketing communication. Second, we have *brand consideration* measure to determine the likelihood of a brand being included in consumers' consideration sets. The third metric, *brand liking*, is a proxy for the preference for a brand.
In order to make use of these metrics, we need a *tool* that translates mindset responses into marketing effectiveness. Following Hanssens et al. (2010), we use three main effectiveness criteria to measure marketing effectiveness on consumer attitudes (awareness, consideration and liking), as well as on their behaviors (purchase). First criterion is *responsiveness* which reflects marketing's ability to 'move the needle' on the attitude metric. High responsiveness means consumers are open to change their attitudes with marketing communication. Second criterion is *stickiness* which refers to the staying power of a change in the attitudinal metric in the absence of further marketing effort. Finally, third criterion is *sales conversion* measuring the extent to which an attitude metric drives sales. High sales conversion means consumers act on purchasing with their attitudinal changes. Overall, attitudinal responses operationalized with responsiveness, stickiness and conversion criteria provide a complete comparison for marketing impacts on consumer attitudes for brands in emerging and mature markets.

For a successful growth, a brand is required to have sustainability in short term gains. Thus, in addition to comparing immediate consumer responses across countries, we further investigate to the extent that marketing achieves a long-term success in an emerging versus a mature market. We believe that marketing effectiveness differs between an emerging and a mature market depending on the regulative, cultural and economic factors that provide structure to society.

EMERGING MARKETS

While we acknowledge that each country market, and of course each city and consumer segment within, differs to some extent from others, we believe that important similarities exist among major mature markets and among major emerging markets.
First of all, the literature is not consistent on what "emerging markets" are (see Batra 1999 & Peng, 2000), as three aspects a country's economy often underlie alternative definitions (Arnold & Quelch, 1998, p.8). The first aspect is the absolute level of economic development (usually indicated by the average GDP per capita or the relative balance of agrarian and industrial/commercial activity). Second is the relative pace of economic development (usually indicated by the GDP growth rate). Third, the system of market governance and the extent and steadiness of a free-market system; in particular, if the country is in the process of economic liberalization from a command economy, it is sometimes defined as a "transitional economy". Similarly, Porter (2004) defines developing countries as the economies in which prices for the raw material exports remain strong, economic growth consistently impresses and much of the

current accounts remain in surplus, which keeps the need to borrow from the rest of the world low. On its 2010 "GDP as a share of world GDP" index, the World Economic Forum (p. 363) ranked China 2nd, India 4th and Brazil 9th out of 137 countries.

While sharing economic similarities, many emerging markets also share cultural similarities. For instance, Schwartz (1999) scores Brazil, India and China as higher on Conservatism and Hierarchy values than the US and England, which score higher on Autonomy and Egalitarianism values. Likewise, the individualism scores (Hofstede 1980) of Brazil, India and China are 38, 48 and 20, while the US and the UK score 91 and 90. On the Power Distance scale, Brazil, China and India score 69, 77 and 80, while the US and the UK score 40 and 35. Finally, Inglehart & Baker (2000) find that emerging markets score higher on survival values, and mature markets higher on self-expression values. They also observe a high persistence of cultural values in the face of economic development, for instance "industrializing societies in general are not becoming like the United States" (p. 49, original italics). Thus, cultural values and norms are and remain a primary explanation of similarities in behavior of individuals within the community, and differences in the behavior of individuals across communities (Aaker & Maheswaran, 1997).

In sum, major emerging markets are economically and culturally rather similar to each other, but differ from major mature markets. We believe these cultural and economic differences affect customer attitude dynamics, which in turn shape long-term marketing effectiveness. We summarize our predictions on the basis of three main differences between an emerging and a mature market: *institutional* (customer protection), *cultural* (self construal) and *economic* (income). Below five hypothesis postulates our predictions, the first three being about attitudinal effectiveness, and the last two being on the long-term sales effectiveness of marketing mix. Figure 1 illustrates our conceptual framework.

CONCEPTUAL FRAMEWORK

The starting point of our conceptual framework is the consumer attitude dynamics model recently developed and applied in mature markets by Hanssens, Pauwels, Srinivasan & Vanhuele (2010). For shampoo and bottled water in France, they analyze 3 consumer attitude metrics: advertising awareness, brand consideration and brand liking. In order to streamline our hypotheses, we add a logical relation between attitude responsiveness: they should be inversely related. The harder it is for brands to change a consumer attitude component, the longer changes to it should last. This relation is tested in our empirical analysis.

While we expect the criteria of responsiveness, stickiness, and conversion to be important in emerging markets, we believe their values should be systematically different in emerging markets. First, there has been much speculation on whether consumers in emerging markets are more or less responsive to advertising and price than their counterparts in mature markets. Second, Hanssens et al. (2010) found low stickiness for lower-funnel metrics such as liking for lower-involvement categories and lower-priced brands. Thus, consumers in mature markets tend to be more fickle in their liking when less is at stake. Would the same hold in emerging markets, where the perceived financial and social stakes are typically higher for the same product category? Third, conversion of mindset changes to sales is subject to many cultural and economic factors that differ in mature versus emerging markets. Such differences in the responsiveness, stickiness and conversion of mindset metrics have profound implications for marketing effectiveness and strategy in emerging markets.

Combining our discussion of institutional, cultural and economic differences with that of consumer attitude dynamics, we propose that these differences between emerging and mature markets moderate the effect of marketing mix on marketing responsiveness, stickiness and sales conversion of consumer attitudes. Moreover, the differences in consumer response ultimately lead to different sales effectiveness of marketing communication in the short turn and in the long run. Figure 1 displays our conceptual framework.

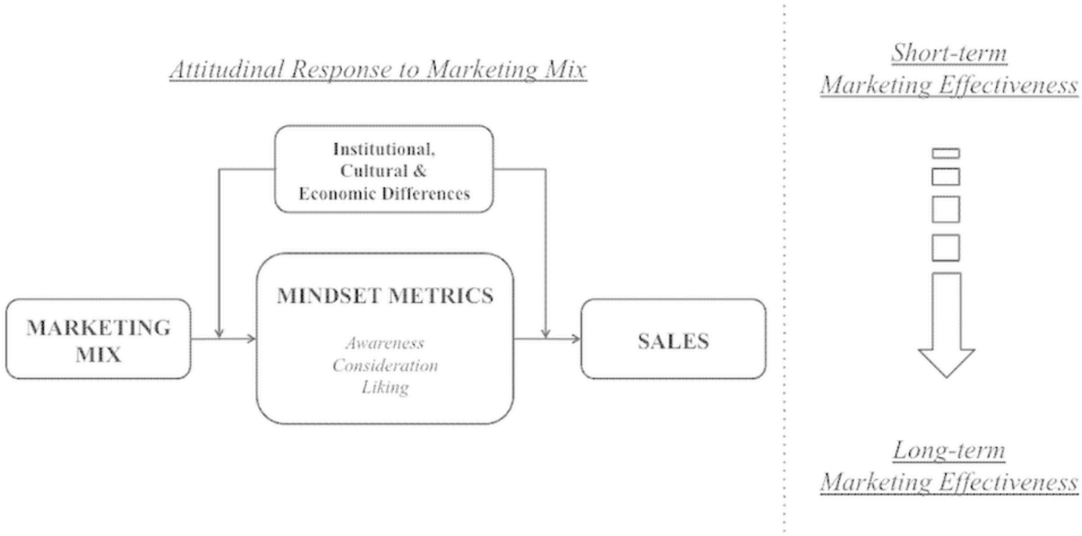

Figure 1. Conceptual Framework

Hypotheses Development

First of all, customer protection is a serious issue in emerging markets. Poor-quality products or services are commonly sold in emerging markets alongside good-quality products or services (Qu, Ennew & Sinclair, 2005). Also, quality uncertainty increases the risk perception in emerging markets, which leads consumers to search for more quality information prior to the purchase decisions (e.g. Shimp & Bearden, 1982; Money et al. 1988). Higher information search displayed by consumers in emerging markets implies a higher advertising responsiveness of upper funnel metrics like communication awareness. Consumers in emerging markets show a lower impact of information costs (Erdem et al. 2006) and are thus more likely to attend to and talk about advertising (Mindshare, 2010). In addition, consumers of emerging markets are less saturated with the brand communications (Dutta & Mia, 2010), and less likely to block them out. In contrast, mature market consumers continue to deploy new ways to opt out of advertising (Friedman, 2011). According to Nielsen, of the one-third of Americans who own a DVR, 56% fast-forward through commercials. Thus, changes to marketing stimuli are more likely to be noticed by consumers in emerging versus mature markets. On the flip side, this also means that future marketing stimuli will tend to crowd out the current stimuli (Keller, 1987; Burke & Srull, 1988). Increases in advertising awareness now are harder to maintain in the absence of repetition, leading to lower stickiness.

Therefore, we posit that:

> *Hypothesis 1: Communication awareness is (a) more responsive to marketing communication and (b) less sticky in an emerging market versus a mature market.*

Second, cultural orientation has a major impact on the self-construal of people within that culture. Interdependent self-construal is more common in emerging markets and implies valuing connectedness and displaying very strong relations in daily lives (Markus & Kitayama, 1991). For instance, Nicholls et al. (1997) found that a collectivist sub-culture (Hispanic customer in the US) is more susceptible to social influences than an individualistic sub-culture (their Anglo counterparts). Consumers in emerging markets rely more on interpersonal information exchange or word-of-mouth (Money, Gilly & Graham, 1988). Beyond sharing shopping experiences, consumers in emerging markets base their brand consideration and liking on the perceived approval of significant others (friends, family, colleagues). In addition, consumer behavior research has shown that self-construal can influence brand meaning (Escalas & Bettman, 2005) and the persuasiveness of various advertising appeals (Agrawal & Maheswaran, 2005). Compared to their mature market counterparts, consumers in emerging markets often share marketplace experiences and come to communal decisions that fit the group or cohort to which they belong (Hofstede, 1980; Schwartz, 1999). Also, Erdem et al. (2006) find that increasing collectivism leads to a stronger path for the effect of perceived quality on brand considerations and purchase decisions. Bolton, Keh & Alba (2010) note that the collectivist perspective orients consumers towards the in-group and heightens concerns about "face" (i.e. status earned in social network) that arise from in-group comparisons. Both consumer eagerness to learn from each other and their desire to conform to the in-group may drive valuing consensus information (Ackerman & Tellis, 2001). As a result, consensus information is a cue with high diagnosticity in collectivist cultures (Aaker & Maheswaran, 1997). On the flip side, once a brand does succeed in moving several consumers, this change is more likely to be *enduring*, i.e. 'sticky'.

Thus, we expect that self-construal has a major impact on marketing effectiveness, and propose:

> Hypothesis 2: *The brand attitudes, consideration and liking, are (a) less responsive to marketing communication and (b) more sticky in an emerging market versus a mature market.*

Third, economic difference depends on the income levels or consumer wealth and customer protection against poor quality products. Emerging markets have lower GDP per capita than mature markets, (almost) by definition. According to the World Bank (2010), this number is $ 4,310 for Brazil, India and China on average, versus $ 40,858 for the US and the UK, respectively. Consumers in emerging markets thus have less money to spend on average, and many of them live in poverty. In such circumstances, even the highest consumer attitudes may not translate into sales for relatively expensive brands. Indeed, emerging market consumers "tend to know the exact price of everything they want and refuse to pay more" (D'Andrea, Marcotte, & Morrison, 2010). Moreover, consumers in emerging markets spend the majority (50% to 75%) of their disposable income on consumer products (ibid). Even middle- to upper-income consumers in emerging markets allocate about 35% of their income on consumer products. Spending a considerable proportion of their income heightens the consumer need to reduce risk in purchase (Erdem et al. 2006). Emerging market consumers tend to focus on value and product functionality (Cayla & Arnould, 2008; Lindstrom, 2011). Also, due to the lack of consumer protection, the fundamental attributes of a brand in emerging markets become reliable quality and good service (Zhou, 2008), rather than the emotional connection of the individual with the brand (Lindstrom, 2011).

Therefore, we expect that:

> Hypothesis 3: *Brand liking has a lower sales conversion in an emerging market than in a mature market.*

While the above hypotheses are important to understanding and quantifying consumer attitude effects, brand managers are ultimately interested in how they improve sales with their marketing actions. We distinguish short-term (immediate) from long-term (cumulative) effects in the tradition of long-term marketing response models and resulting generalizations in mature markets (e.g. Hanssens et al. 2010; Pauwels et al. 2004). Two hypotheses summarize our predictions on long-term effectiveness of marketing in emerging markets.

First, advertising communication has a hard time moving minds and hearts in emerging markets. The strong influence of friends and family (collective decision making) in emerging markets requires advertising to affect several people before changing the buying decision of any one individual consumer. So, ironically, while consumers in emerging markets are more likely to attend and to "talk about any kind of online advert than their counterparts in mature markets" (Mindshare, 2011), they are less likely to immediately buy the advertised brand. In terms of our framework, consideration and liking are less responsive to advertising in emerging versus mature markets. However, if and when advertising does succeed in moving hearts and minds, the impact should be larger and more enduring in emerging markets. The extensive social interaction and influence among emerging market consumers will spread and anchor the attitude change more than in mature markets.

Therefore, we posit that:

Hypothesis 4: Advertising has (a) a lower short-term, but (b) a higher long-term effect in emerging versus mature markets.

Second, we expect also distribution elasticities to differ in emerging versus mature markets. Due to their higher willingness to search and shop around (Ackerman & Tellis, 2001; Hollis, 2011), emerging market consumers should be less sensitive to changes in distribution coverage. In contrast, distribution is crucial in mature markets, where preferred brand absence from the retail shelf leads many consumers to simply by another brand – Reibstein & Farris (1995) labeled this 'compromised choice'. In mature markets, "people are more likely to assume that all brands stocked by mainstream retailers will deliver the same basic quality" (Hollis, 2010). As a result, many consumers simply substitute a preferred but unavailable brand with another brand at the same retailer. This "compromised choice" is a key explanation for the high returns to distribution coverage in mature markets (Reibstein & Farris, 1995). Emerging market consumers, however, would not switch away from their regular brands, as they are less likely to compensate the probable dissatisfaction, thus less willing to take risks.

Hence, we expect lower distribution elasticities in emerging markets, both in the short-term as in the long-term.

Hypothesis 5: Distribution has (a) lower short-term and (b) lower long-term effect in emerging versus mature markets.

Finally, price appears a double-edged sword in emerging markets. On the one hand, the lower income of many emerging market consumers should increase the general appeal and love for the brand, and thus sales. On the other hand, since emerging market consumers are highly exposed to poor-quality goods, they actively try to identify the quality products and strongly associate price with quality. For instance, "emerging consumers in Latin America believe that superior quality commands a premium price" (D'Andrea et al. 2010). Hence, the perception of price is used as a powerful indicator of product quality. The higher price means the higher perceived quality of the product. This is particularly common in countries where the quality of the products may vary widely within a product category (Maxwell, 2001). Thus, the positive price-quality association is bad news for low-priced brands, as they face issues getting into the consideration set of emerging market consumers, and consideration has a strong impact on sales. The combination of these forces may lead to price sensitivity being lower or higher in emerging versus mature markets. Moreover, the strength of the forces may depend on the brand's relative price: moderately-priced brands may benefit both from the positive price-quality association (as compared to low-priced brands) and higher attitude-sales conversion (as compared to high-priced brands). This would suggest an inverted U-shaped effect of price on sales in emerging markets. In the absence of a clear prediction from our framework, we do not formulate a hypothesis on price elasticity differences between mature and emerging markets.

DATA

Our dataset contains 72 monthly data on marketing actions (price, distribution, advertising), sales and attitude metrics (advertising awareness, consideration and liking). The operationalizations follow standard practice (e.g. Bronnenberg et al. 2000): sales and prices are expressed in ounces of the product, distribution is All Commodity Value (ACV) distribution in the country and advertising is measured in Gross Rating Points (GRPs). Likewise, the attitude metrics are similar to those in Srinivasan et al. (2010): advertising awareness and consideration are measured as the percentage of surveyed respondents indicating they (1) have seen any communication of the brand in the last 6 months, (2) consider the brand for purchase (consideration). On a 1-7 scale, respondents also indicate the extent to which they love the brand; we transform the average score to a 0-100% variable for liking. Monthly sample sizes for these attitude metrics exceed 2,000 in each country, and quota sampling is used to ensure sampled respondents are representative for the country's consumers in the respective product category. This characteristic both induces comparability between the emerging market and the mature market sample (Sekaran, 1983) and increases the managerial relevance of our findings.

The data provider requires confidentiality regarding exact time period, categories and brands studied. What we can reveal is that the data is from Brazil and the U.K.

METHODOLOGY

Effectiveness Criteria

We provide the effectiveness criteria used to translate the mindset responses into marketing effectiveness. *Stickiness* is the degree to which a change in the level of an attitude endures over time, in the absence of any new stimuli. An autoregressive (AR) process captures this essence, and we include a sufficient number of lags p of the dependent variable to achieve a white noise error term. We operationalize stickiness as the sum of the AR coefficients (e.g. Andrews & Chen, 1994). For example, an AR(3) model (i.e. with 3 lags) for attitude metric Y is specified as:

$$Y_t = c + \varphi_1 Y_{t-1} + \varphi_2 Y_{t-2} + \varphi_3 Y_{t-3} + \varepsilon_t \quad (1)$$

where ε_t is white noise.

Responsiveness is the short-term response of the attitude metric to marketing actions. We use the multiplicative response model, which has desirable conceptual and forecasting properties (e.g. Hardie, Fader & Wisniewski, 1998). Moreover, the coefficients estimated from the multiplicative model are directly interpreted as elasticities, which are comparable across settings. Within the multiplicative model, we can incorporate the notion of potential: the closer the attitude metric is to its maximum value (typically 100%), the more difficult it will be to register further increases through marketing (Hanssens et al. 2010). To this end, we express the dependent variable as an odds ratio (e.g. Johansson, 1979) of the attitude metric Y and its remaining potential (the maximum value minus the current level) in equation 2:

$$Y'_t = Y_t \,/\, (MAX-Y_t) = c\, Y'^{\gamma}_{t-1}\, X_{1t}^{\beta_1}\, X_{2t}^{\beta_2}\, X_{3t}^{\beta_3}\, e^{u_t} \quad (2)$$

Sales Conversion is the degree to which movements in the attitudinal metric convert to sales. We allow for each attitude to influence sales in a multiplicative model. This makes it possible to empirically test for e.g. a higher sales conversion of consideration versus liking in emerging markets, but the opposite pattern in mature markets. Covering the dimensions of advertising awareness (At), consideration (Ct) and liking (Lt), our model of sales conversion is presented in equation (3):

$$S_t = c\, S_{t-1}^{\lambda}\, A_t^{\beta_1}\, C_t^{\beta_2}\, L_t^{\beta_3}\, e^{u_t} \quad (3)$$

Longitudinal Hierarchical Linear Models

As noted by Hanssens et al. (2010) sales conversion is likely a characteristic of the consumer decision process in the category (and the country) while responsiveness of mindset metrics to marketing communication is likely brand-specific. This leads us to account for both country market and brand variation in the intercept and slope coefficients relevant to our hypotheses. Therefore, to test the first three hypotheses we adopt longitudinal Hierarchical Linear Models (HLM) as they provide a more flexible and powerful approach when analyzing multi-level data: time series observations within brand; brands within markets/countries, etc. (Rabe-Hesketh & Skrondal, 2005). More specifically, our HLM contains three-levels. Time series observations within brands constitute the first level, the brands constitute the second level, and the markets constitute the third level. The general representation of the model is as follows:

$$y_{ijk} = \alpha + \beta_{i[jk]} X_{ijk} + \zeta_{jk}^{(2)} + \zeta_{k}^{(3)} + \varepsilon_{ijk} \tag{4}$$

where y denotes the response variable and X represents the matrix of regressors. The index i stands for time series observations, j for brands, and k for countries. $\zeta_{k}^{(3)}$ is the random intercept for countries k, $\zeta_{jk}^{(2)}$ is the random intercept for brand j and country k. Finally, ε_{ijk} is the residual error and $\beta_{i[jk]}$ are the coefficients of interest that vary by brands and countries. In other words, $\beta_{i[jk]}$ are the estimated parameters to investigate how marketing-mindset metrics and mindset metrics-sales relations vary by brand and countries.

Vector Autoregressive Models

To test long-term marketing effectiveness, we follow the marketing literature that studies the long-term marketing effectiveness based on the estimation of a vector-autoregressive (VAR) model of sales and marketing actions (e.g. Bronnenberg et al. 2000; Dekimpe & Hanssens, 1999; Pauwels et al. 2004). The model in matrix notation is shown below:

$$Y_t = C + \Gamma D_t + \Phi \sum_{j=1}^{J} Y_{t-j} + \mathrm{u_t} \tag{5}$$

where t is the time index, j is the lag order, Y_t denotes the vector of endogenous variables, i.e. price, distribution, advertising and sales, Y_{t-j} represents the lagged endogenous variables, D_t stands for the seasonal dummies, and $\mathrm{u_t}$ is the error term with zero mean and positive definite covariance matrix Σ_u. C is the vector of intercepts, Γ and Φ are parameter matrices to be estimated. Based on the estimated coefficients, the Generalized Impulse Response Function (GIRF) quantifies the sales impact of a marketing action both during the time period in which the action took place (short-term effectiveness) and over the next time periods (Pesaran & Shin, 1998).

FINDINGS

We applied the above HLM and VAR models to our dataset. Using the common brands across countries. The HLM estimation is performed for:

(i) Stickiness equations in which the response variable is the mindset metric and the regressor is the lagged dependent variable.

(ii) Responsiveness equations in which the response variable is the mindset metric and the regressors are marketing actions.

(iii) Sales Conversion equation in which the response variable is Sales and the regressors are the mindset metrics.

Note that for (i) and (ii), we run the model separately for each mindset metric. In addition, VAR model is performed to measure the long-term elasticities of marketing mix actions, i.e. advertising, price and distribution.

With respect to responsiveness models, as shown in Figure 2, we find that responsiveness of communication awareness to advertising is *higher* for Brazil (0.009) than for the U.K. (-0.027), which supports H1a. We also find support for H2a: the responsiveness of brand attitudes (consideration and liking) to marketing communication is *lower* in Brazil than in the U.K. (0.007 versus 0.009 & -0.002 versus 0.004).

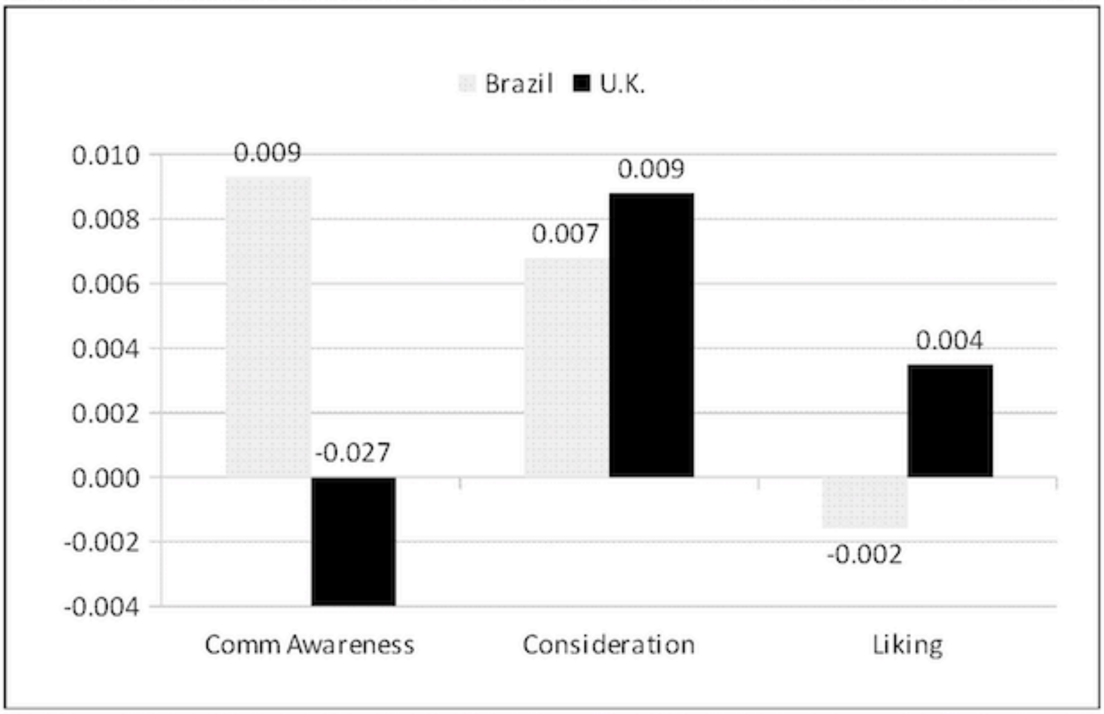

Figure 2. Responsiveness of Mindset Metrics to Advertising

Regarding the stickiness models, our results reveal that communication awareness is less sticky (Figure 3) in Brazil (0.611) than in the U.K. (0.878), supporting H1b. However, as the stickiness of brand consideration is not significantly different for Brazil (0.499) versus the U.K. (0.486) and that brand liking has significantly *lower* stickiness in Brazil (0.184) than in the U.K. (0.759), we fail to find support for H2b that posits brand attitude stickiness to be higher in Brazil than in the U.K.

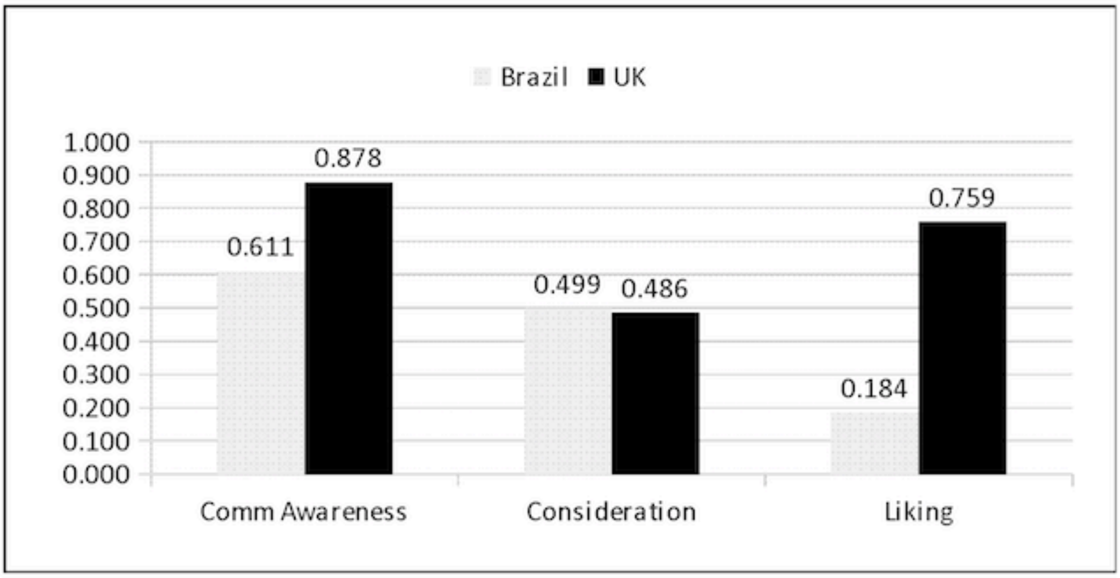

Figure 3. Stickiness of Mindset Metrics

In support of H3, the results (see Figure 4) indicate that the sales conversion of brand liking is significantly *higher* in the U.K. (1.171 versus 0.613). In addition, we find that communication awareness is slightly higher in Brazil than in the U.K. (0.185 versus 0.081). Sales conversion of brand consideration does not differ significantly between Brazil and the U.K. (0.401 versus 0.399).

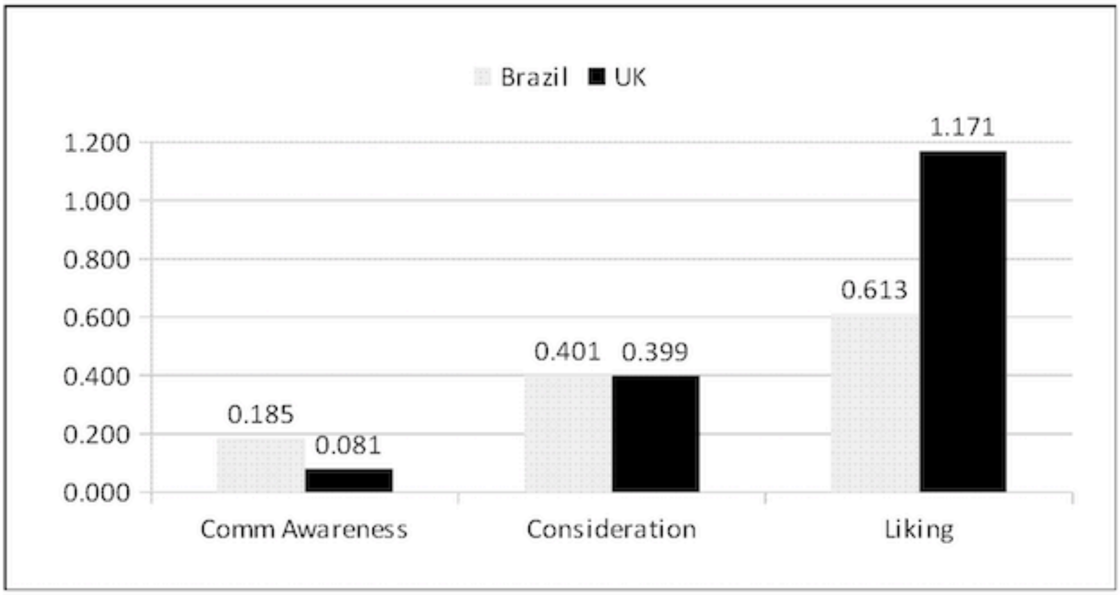

Figure 4. Sales Conversion of Mindset Metrics

As for the long-term results, both the attitude criteria equations and the vector-autoregressive models performed adequately in both Brazil andthe U.K. We checked for, but did not find any significant, effects of squared marketing variables (e.g. to allow for an inverted U-shaped effect of price on sales), so we proceed with the vector-autoregressive model in equation (5). The explained variance of the vector-autoregressive model does not differ between the emerging the mature market, and is similar to that reported in Hanssens et al. (2010).

For advertising-sales elasticities, we find that the short-run (same-month) elasticity fails to reach statistical significance for 2 out of 3 brands in each category in the emerging market. Moreover, the significant short-term elasticities are small, respectively 0.0002 and 0.0005. In contrast, the mature market shows statistical significance for 2 out of 3 brands in each category, and the magnitudes are larger; ranging from 0.001 to 0.006. This is consistent with hypothesis H5a that advertising has a lower short-term elasticity in emerging versus mature markets.

Long-term advertising elasticities show the opposite pattern, consistent with hypothesis H4b. Significant long-term ad elasticities is averaged on 0.108 and 0.020 inBrazil,and in U.K, respectively.. Specifically, in Brazil, 3 brands show no significant long-term effect of advertising, illustrating the difficulty that brands face to get into consumers' consideration sets. In the U.K., the two brands that failed to achieve short-term sales benefits also fail to achieve long-term benefits. Interestingly, the remaining brands obtain a long-term advertising effect of twice the short-term effect. Both findings are consistent with empirical generalizations that (1) an absence of short-term advertising effects implies the absence of long-term advertising effects (e.g. Lodish et al. 1995), and (2) that the long-term effect is about twice the short-run effect (e.g.Sethuraman et al. 2011).

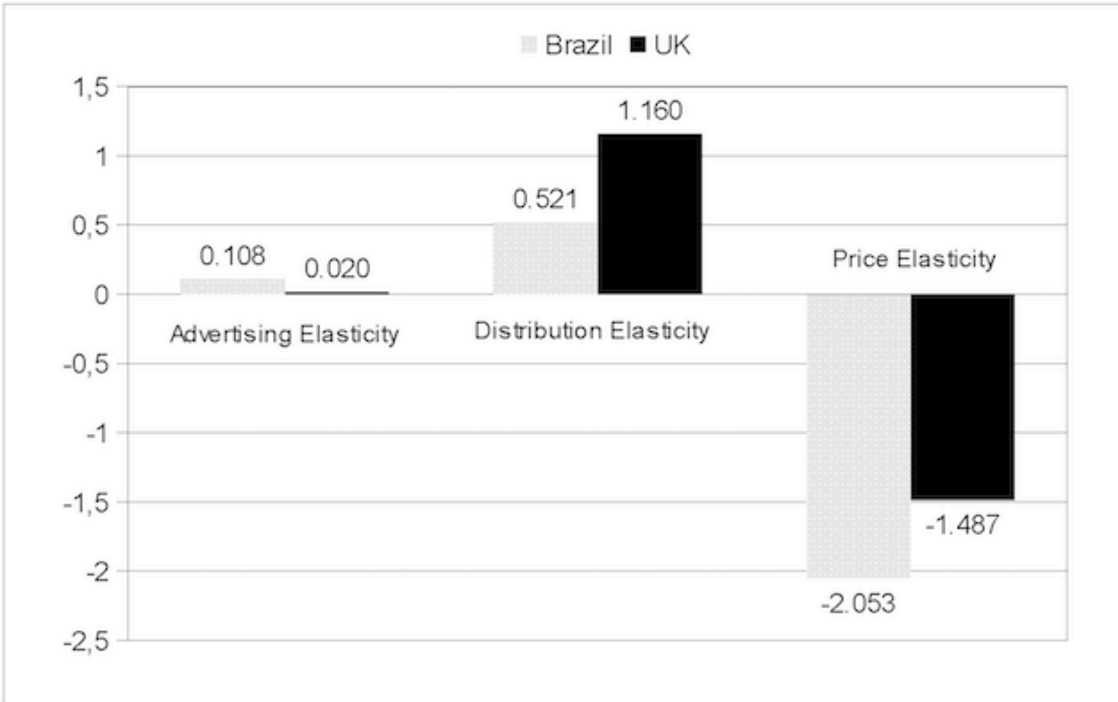

Figure 5. Average long-term marketing-sales elasticity

Consistent with our last hypothesis (H5), distribution elasticities are lower in Brazil versus the U.K., both in the short term as in the long term. This difference is considerably large in magnitude: the long-term distribution elasticity in Brazil (0.521) is only half of that in the U.K. (1.160). Thus, a 10% increase in distribution only yields a 5% increase in sales for the studied brands in Brazil, while it yields an 11% increase in sales for the same brands in the U.K.. Previous research in mature markets has also reported distribution elasticities of more than 1 (e.g. Lambin 1976; Srinivasan et al. 2010), which can be explained by the 'compromised choice' effect (Reibstein & Farris, 1995). It appears this effect is less important in emerging markets, which implies consumers are indeed more willing to shop around for their brand when it is not available at a specific distribution point.

Price elasticities are on average higher in Brazil. This applies to 5 out of 6 brands, which each experience higher price elasticities in the emerging market (from -1.100 to -3.630) than in the U.K. (from -0.770 to – 1.990). For one brand price elasticity is even much higher in the U.K. (-2.020) than in Brazil(-0.490). Delving deeper, we observe that this brand fails to improve attitudes with its (minor) price decreases in the emerging market, remaining the most expensive on the market. In contrast, the same brand is able to greatly increase sales in the mature market with similar minor price decreases. This illustrates the complicated relation between price and sales, and calls for further research across many brands, categories and countries.

Additional findings of our analysis include the negative impact of price on advertising awareness in Brazil, and the positive impact of distribution on liking in the U.K. While not hypothesized, both observations are consistent with our conceptual arguments. First, consumers in emerging markets are less likely to attend to advertising of brands that are out of their reach. Lowering prices thus help both advertising awareness and liking. Second, convenience is especially important to mature market consumers; they expect to find a brand in their preferred retail outlet. As a result, they tend to like widely available brands. In emerging markets, this effect is likely offset by a higher willingness to shop around and a higher cachet of selective/exclusive distribution.

Overall, our study reveals three main findings. First, due to the lack of regulative protection mechanisms, consumers in emerging markets are more attentive to, and thus more aware of, marketing communication. Second, consumers who live in a collectivist culture are less responsive to advertising in their consideration and liking of the advertised brand. Finally, lower income among consumers reduces the sales conversion of brand liking.

Our results suggest that the principles of building a strong brand across cultures are not the same. Brands born in emerging markets should be wary of carrying their assumptions into mature markets. Marketing managers can use our findings when deciding their brand policies in emerging and mature markets: First, patience is gold in an emerging market such as Brazil. That is, managers should immediately track whether consumers received the message of their advertised brand, then give some time for getting the social influence flourished. Second, a pulse of advertising should allow marketing communication to start the social influence process, which then requires little further stimulation emerging from word-of-mouth and stickiness in brand consideration. Third, a large portion of the marketing budget should be spent with the objective that relevant consumers groups are aware of and consider the brand to buy.

As a result of these differences in attitude dynamics, we found advertising to have a higher long-term sales elasticity, but distribution to have a lower sales elasticity in emerging versus mature markets.

CONCLUSION

This research developed and illustrated a conceptual framework of how effectiveness of consumer mindset metrics (communication awareness, brand consideration and brand liking) differs between an emerging market and a mature market. Hypotheses are formulated based on the regulative, cultural and economic differences that provide structure to society.

Analysis provided emprical support for the framework's hypotheses for the same brands marketed in the same time period in a major emerging and a major mature market. Long-term advertising elasticity is indeed higher in the emerging market, driven by the higher responsiveness of ad awareness. In other words, consumers in emerging markets are more likely to respond to marketing communication. While not testable with our aggregate-level data, our conceptual arguments imply that advertising should reach many consumers before substantially affecting the choice of any one consumer. Thus, in emerging markets, marketers may focus on increasing the reach component of their gross rating points. In contrast, individual consumers in mature markets are less willing to attend to advertising, but more willing to buy a product once its communication gets their attention. This calls for more 'touchpoints' and a higher frequency of exposure to advertising messages.

In contrast to advertising, distribution elasticities are lower in emerging markets as increased distribution fails to increase consumer liking for the brand. Plausibly, emerging market consumers are less swayed by increased distribution coverage than their mature market counterparts because they are more willing to shop around and value selective/exclusive distribution more than intensive distribution. While our dataset did not include point-of-purchase promotions, we speculate that these would be more effective in mature markets, because individual decision makers are more easily swayed at the point of purchase than group decision makers, emphasizing embeddedness within collective social networks (Burgess & Steenkamp, 2011).

Of course, the lower elasticity of sales to distribution does not mean that distribution is unimportant in emerging markets. Even if consumers are willing to shop around, they still need to be able to find the product with reasonable convenience. For instance, to reach consumers in the Brazil's North-East, Nestle deploys a floating supermarket boat that plies the Amazon River, bringing 300 different Nestle products to consumers (Ad Age, 2011). Such investments in bringing minimum distribution to consumers clearly pay off (ibid). Our findings do imply diminishing returns to increasing distribution density in emerging markets, once consumers can obtain the brand with reasonable convenience.

Our findings on higher price sensitivity are consistent with Ackerman & Tellis (2001) who report the same in Chinese cultures and attribute it to the fact that "Chinese obtain security primarily through the accumulation of wealth within the family, leading to frugality on purchases for products of personal use". The mindset responsiveness to price offers an interesting contrast with previous findings in mature markets. Hanssens et al. (2010) find that price decreases consideration for both analyzed brands in the low-involvement category. In contrast, price increases consideration in their high involvement category and in our emerging market. Apparently, consumers have to care enough about the product/purchase decision to consider high-priced brands. The typical low-involvement decision rule of 'buy the cheapest' may not apply to typical grocery products in emerging markets.

An especially intriguing finding is the higher sales conversion of consideration versus liking in the emerging market; while exactly the opposite pattern is observed in the mature market. Hanssens et al. (2010) find similar differences between the higher-involvement and the lower-involvement category studied in France. Thus, the necessity of brands to become "romantic and mysterious" love marks (Roberts, 2005) may apply much more in mature than in emerging markets. This realization is important in the debate of establishing emotional connections with consumers – a key talking point of several Western branding experts who feel that "China has no brands in any real sense" (Yong, 2005). As Lindstrom puts it (2011), "A recent study reveals that the average Chinese consumer feels the need to wear at least three branded items to feel comfortable at work. Yet, when probed further, they were at a loss, unable to define the features of a brand. However, they had no difficulty describing the product. It seems that for them, the product is the brand. The emotional connection is simply absent". Our findings imply that such absence of emotional connection may not be a problem in emerging markets, while it will hurt the brand in mature markets. We thus agree with Cayla and Arnould (2008, p.7) to question the (sometimes implicit) assumption of prominent marketing practitioners and academics that "the principles of building a strong brand are basically the same across cultures". Likewise, brands born in emerging markets should be wary of carrying their assumptions into mature markets. For instance, "Lenovo should differentiate itself as being "best"--that combination of East and West, innovation and efficiency--across the board".

FUTURE RESEARCH

Our research has several limitations that require further investigation. First, our conceptual framework is based on the consumer attitude dynamics criteria recently developed in a mature market (Hanssens et al. 2010). Future research may draw on attitudinal metrics developed in an emerging market. Also, using different attitude metrics could play a key role in emerging markets. Further research can directly test our inference that advertising needs to reach more consumers to be successful in emerging markets, while frequency is more important in mature markets. Our research rests on demand-side metrics without explicitly considering the supply-side. Future research may focus on the supply-side factors such as political stability & infrastructure and company aspects (organizational concepts). Moreover, different functional forms (e.g. additive and semi-log) can be used to examine the relationship between attitudes and sales along with different models and estimation techniques (e.g. Dynamic Panel Models, Bayesian VAR and Structural VAR). Our empirical analysis relies on survey based attitudinal variables collected over time. Instead of conducting serveys directly with the consumers, future research can use internet-based consumer opinions such as blogs, social media and product reviews, as a less costly approach. Future research may use more disaggregated data on consumer attitudes and gain substantive insights at the individual level, possibly using different time frequency such as weekly and quarterly. Moreover, important variables in our framework, such as self-construal, may be directly manipulated in controlled experiments.

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KEY TERMS AND DEFINITIONS

Communication awareness: the degree to which consumers are aware of marketing communication.

Brand consideration: measure to determine the likelihood of a brand being included in consumers' consideration sets.

Brand liking: a proxy for the preference for a brand.

Responsiveness: a criterion that reflects marketing's ability to change the attitude metric.

Stickiness: the staying power of a change in the attitudinal metric in the absence of further marketing effort.

Sales conversion: the extent to which an attitude metric drives sales.

ADDITIONAL READING

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Indexing: emerging market, institutional context systems, consumer mindset metric, brand attitudes, marketing-attitude responsiveness, attitude-sales conversion, econometric models, hierarchical linear model, vector autoregressive models.

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