Visual Research for Segmenting Emerging Markets

Steven J. Greenland, Swinburne University of Technology, Victoria, Australia
sgreenland@swin.edu.au

Abstract

This paper presents a visual research method for segmenting emerging markets. It contributes to an under researched topic and addresses problems experienced by some traditional segmentation approaches. A cross section of 250 households was taken from a major Sub Saharan African city. 10-20 images were collected for each household, along with more traditional segmentation and lifestyle data. The visual data were analysed by creating a photo montage for each household, which were then ranked according to perceived living standard. Analysis reveals distinct breaks in terms of living standard, which allows households to be grouped together into broad life quality segments on the basis of visual data. The research highlights the value of visual data in supporting traditional segmentation techniques.

Keywords: Visual research, Segmentation, Emerging markets
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Introduction

Emerging markets are crucial to the global economy (Lyons, 2008). They provide substantial growth opportunities for multinationals based in developed countries (Baack and Boggs, 2008) and there are potentially huge returns for organisations that understand their consumers. However, emerging market opportunities are typically high risk (Doole and Lowe, 2004), not least because international marketing research is especially challenging (Malhotra and Peterson, 2001). Effective market segmentation is key for many companies operating in emerging markets and requires an accurate overview of the market so that segments therein can be identified. However, available market data are often inadequate (Craig and Douglas, 2005), with accuracy and comparability flaws (Aaker et al., 2007). Furthermore traditional segmentation research approaches are not always directly transferable (Steenkamp and Hofstede, 2002). Indeed duplicating research across borders greatly impacts upon the nature and quality of data generated (Malhotra and Birks, 2003) and as Choudhry (1986) observes international researchers would be better using direct observational approaches. International market segmentation is therefore an important area requiring further research, particularly in terms of identifying variables to include in models (Weddle and Kamakura, 2002).

This paper presents exploratory research that generates information for effective market segmentation in an emerging economy. In keeping with most international segmentation studies this research is also exploratory in nature (Steenkamp and Hofstede, 2002). However, this study does not rely on the traditional qualitative and quantitative data collection approaches; rather it incorporates a significant visual research component. The research provides a detailed visual overview of society in Nairobi, Kenya; one of the major economic hubs in Sub Saharan Africa (SSA). The findings show how visual research can be used to identify, describe and evaluate market segments in an emerging economy. (Africa’s Marketing and Social Research Association has sponsored the research www.msra.org.ke).

Despite its obvious importance, international segmentation is an under researched area (Wedel and Kamakura, 2002) that has received relatively little attention in the literature (Steenkamp and Hofstede, 2002). Consequently industry practitioners have limited sources for guidance and there is a tendency to adopt the same research approaches promulgated in developed market segmentation. However, Western theories, methodologies and research instruments may not be appropriate due to the essential conceptual differences between developed and emerging economies (e.g., Hoskisson et al., 2000).

Emerging Market Research Perspectives

Context

Developing countries have highly complex social structures. For example, Kenya has one of the world’s largest rich-poor divides (UN-Habitat, 2003) and over 30 tribal groups in a population of under 40 million (Kenya Central Bureau of Statistics, 2002). The population is also very dynamic with high proportions of workers living in densely inhabited urban centres supporting family living upcountry. Nairobi therefore comprises a hugely diverse population. Emerging markets also typically rely on a small number of industries. They are therefore
particularly sensitive to global economic fluctuations, which in turn leads to greater economic and political instability in comparison to more developed markets.

Secondary data

A challenge for organisations in emerging markets is gaining enough appropriate information for market segmentation. Secondary data sources are often sparse, less systematically compiled and less accurate than those for developed countries (Craig and Douglas, 2005; Terpstra and Sarathy, 2000). As Hoskisson et al. (2000) indicate “many of these countries have received little research attention: this is especially true of the Africa/Middle East region.” When available, secondary data are often flawed in terms of accuracy and currency (Aaker et al., 2007; Choudhry, 1986) and their reliability must be considered; although this is often hard to establish (Malhotra and Birks, 2003). Aspects of emerging market census data are also often questionable (e.g., Philips, Anderson and Phindiwe Tsebe, 2003), presenting distorted figures for certain population groups. This may be the result of the complex census exercise (even developed markets such as the US experience census problems, e.g., see Robinson et al., 1993), or intentionally distorted figures. As illustration, Kenyan residents of slum or remote locations are less accessible and therefore more easily avoid enumeration, while political considerations may lead to governments overstating certain factors if they are trying to attract aid or foreign investment (Doole and Lowe, 2004).

Effective segmentation requires understanding of the whole market in order to identify homogenous groups within. While many studies are conducted by commercial and development organisations operating in emerging markets, few undertake research that cuts across the full spectrum society. Those concerned with aid and development focus on acute poverty, while business tends to focus on those with spending power. This means that somewhat biased, or incomplete perspectives on the overall make up of society are presented. For example, a researcher relying more on UN and World Bank information resources (widely available for international markets Aaker et al., 2007) such as www.irinnews.org will have a different perspective to one relying more on commercial reports purchased from professional market research agencies such as www.steadman-group.com (incidentally the headquarters for both these organisations are in Nairobi).

These issues with emerging economies secondary data are particularly pertinent since multinational managers are frequently less familiar with the market in question and therefore must rely more heavily on the available secondary sources.

Primary data

Emerging market primary data collection is more complex and costly compared to domestic markets (Craig and Douglas, 2005). Much marketing research frequently adopts traditional Western approaches (Davies and Young, 2002). This decision may be justified in the name of cross market comparison and being able to answer global marketing questions, but is also driven by the inadequacy of secondary data resources, as well as international managers’ limited experience with the local markets. This last point is particularly important from a segmentation research perspective, where homogenous groupings are not necessarily determined by the research, but rather the marketing manager’s view of the market place (Wedel and Kamakura, 2002). Despite the prevalence of Western research approaches in emerging markets, research consistently concludes that these methodologies may not be directly transferable to international markets (e.g., Combe et al., 2009; Craig and Douglas,
2005; Greenland, Coshall and Combe, 2006, Hoskisson et al., 2000; Reynolds, 2000; Steenkamp and Hofstede, 2002). As illustration, according to the research agencies operating in East Africa’s traditional socioeconomic classification provides an inconsistent predictor of living conditions, resulting in differences of opinion regarding market structure and composition. Steenkamp and Hofstede (2002) also relate problems of using socio-demographic variables across international markets to issues of calibration equivalence.

As Craig and Douglas (2005) indicate when researching emerging markets creative research approaches are needed. However, they are not the norm due to the high cost, and knowledge paucity associated with researching emerging markets.

## Visual Research Perspectives

Qualitative research is more prevalent in emerging markets (Craig and Douglas, 2001). The ratio of global commercial quantitative to qualitative research revenue is around 6:1, whereas in Sub Saharan Africa it is nearer 70:30 (ESOMAR, 2008; MSRA, 2008). This is logical since interpretive approaches are more flexible (Veal, 2005) and appropriate for exploratory research when insights rather than causal relationships are required.

Visual research is highly qualitative in nature and commonly used in social anthropology and sociology as part of ethnographic studies of population groups (Banks, 2001). Indeed, visual data are being published with increasing frequency in sociological research (Harper, 2005). In Marketing visual research has been somewhat overlooked, although ethnographic observation is now being more widely used (Burns and Bush, 2006) and more visual data are being collected (e.g., Orient Pacific, 2003). Regardless, visual research is not one of the usual marketing research methodologies.

The complexity of emerging markets and the inadequacies of available information make visual research particularly appropriate. Not only do photos depict factual content (Burns and Bush, 2006) but they also offer unique benefits, which include among others being able to record details too complex to explain; providing a detailed impression without having to have been there at the time of data collection; not to mention that images may be analysed and revisited post data collection, so aspects not initially considered important can be examined. As with most qualitative techniques criticism typically includes subjectivity and researcher integrity. However, all qualitative data rely on the researcher’s interpretation in reporting the key issues identified from the mass of descriptive information (Greatorex, 1997). (For a fuller discussion of the strengths and weaknesses of visual research see Rose, 2007).

As with much emerging market secondary data, available visual data tend to focus on narrow aspects of society. In Kenya a majority of images either highlight negative aspects such as poverty and political instability, or cover the more positive tourism related subjects. Images highlighting poverty and abhorrent living conditions are often part of sensationalist Western media reports, or the fund raising campaigns of donor organisations. While such images may make a good story or help raise funds, they also promote biased and distorted impressions. For example, slum dwellers are more likely to regard themselves as ‘determined, upwardly mobile, pioneers’ (Collins, 2001), rather than helpless poor. Such negative images often become the symbols by which others identify and define these societies (Urry, 2001).
Visual Research Methodology

The research builds on an earlier pilot study (see Rayman-Bacchus and Greenland, 2007) and involves capturing images across a cross section of 250 Nairobi households, in conjunction with a structured questionnaire collecting traditional segmentation and life quality variables. Figure 1 models the areas of information capture and was developed on the basis of secondary data, as well as feedback from the MSRA and local commercial research agencies assisting in the data collection (these include TNS-Research International, Nielsen, Synovate Global, Research Solutions, Consumer Insight Africa, Research & Marketing Services and SBO Research). The variables included in the model reflect those common in commercial segmentation studies and marketing texts (e.g., Kotler, Keller and Burton 2009), as well as development life quality oriented research (Dasgupta 1999; Grosh and Glewwe 2000). The model shows that images are multifaceted, capturing multiple segmentation and life quality indicators. Between 10 and 20 digital photographs were collected for each household and include aspects such as the occupants, the exterior, surrounding area, shops (where they buy groceries), local school (if used), as well as utilities. Where applicable the interior images include the various rooms, cooking, lighting, heating source, grocery and household cleaning products, durables (e.g., TV, refrigerator, washing machine), mode of transport, etc.

To remove potential researcher bias and enhance response rates all data were captured by experienced local Kenyan market research interviewers working for the aforementioned research agencies. Respondents were recruited on a door to door basis, with a small cash incentive offered for participation. The sample design was guided by industry consensus and the MSRA. It was based upon the residential and socioeconomic composition of Nairobi’s population. Once broad Nairobi locations were identified from which to draw the sample, individual households were randomly selected for inclusion. Given the sensitive nature of capturing and using household images the data collection process adhered to the European Society for Opinion and Marketing Research (ESOMAR) strict guidelines for collecting
market research data. Respondents participating in the study also provided permission for the images to be used in subsequent publications.

Analysis was predominantly qualitative in nature and adopted a grounded theory inductive approach (see Bogdan 1998; Denzin and Lincoln 2005; Flick 2002 for more details), which is common in ethnographic observation type studies (Saunders, Lewis and Thornhill, 2006). The visual data were analysed by creating a photo montage for each individual household, which were then ranked in order of perceived living standard using a variety of visual lifestyle cues. The ranking was achieved by the researcher assessing each households montage of images (in terms of the visual dimensions of life quality indicated in Figure 1) and placing each household in a sequence from perceived worst to perceived best living standard. Questionnaire household data were linked to the images using the same assigned household serial number and were processed for cross referencing purposes using SPSS. While concerns in relation to the subjectivity of analysis may be raised with regard to this approach, such concerns are true for most qualitative research approaches.

Findings

Observation and content analysis of the ranked household image montages reveals distinct breaks or divides in terms of living standard. This enabled households to be grouped together into similar lifestyle / living standard segments. Analysing the characteristics of these segments against the more traditionally defined market segment questionnaire data reveals the key life quality indicators that need to be emphasised when more traditional segmentation approaches are applied to emerging markets. Such aspects include the presence (or not) of shared utilities, power supply, product ownership, communal living and the ratio of income earners to dependents. Ongoing analysis will facilitate further insights to these aspects.

Conclusions and Future Research

Traditional market segmentation approaches have not adequately described the social structure in emerging markets such as Kenya. This stems from the lack of reliable population data, the direct application of Western research methods and a tendency for research to focus on specific population groups rather than all societal levels. The research process is part way through a multi stage longitudinal study, but initial application of the model confirms that visual research is indeed capable of providing meaningful data that would not be captured using segmentation techniques more familiar to Western marketing researchers. In providing a visual overview of contemporary society in a major Sub Saharan Africa city the visual data can help organisations gain a swift and detailed insight to the societal composition of an emerging market. The study also clearly establishes visual research as a valuable compliment to other more traditional segmentation methods.

A subsequent quantitative study is currently underway to further investigate the themes and life quality indicators identified in the more qualitative research stages. At some point in the future it is hoped that the same visual approach can also be applied in other SSA cities to see if the same themes and concepts emerge.
References


