Challenges of Researching Consumers in Emerging Markets

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

Keywords: emerging, developing, international, marketing, research.

Abstract

International marketing research has increased substantially as companies seek global growth opportunities. Developing economies are frequently central to this endeavour since they offer the greatest potential for future expansion. However, marketing research in emerging markets is particularly challenging. While there is an expanding body of literature on international marketing research, comparatively little focuses on the market research industry practitioners. Furthermore few studies examine the challenges of market research in Africa. This paper helps redress this imbalance. Qualitative interviews with professionals working in Africa’s market research industry reveal a complexity of issues. It is important for practitioners to appreciate these challenges so that research projects can be designed to overcome them.

Introduction

Emerging markets offer the greatest potential for future business growth (Baack and Boggs, 2008; Lyons, 2008). However, researching consumers in these regions is much more complex (Craig & Douglas 2005), not least because there are far fewer studies (Aaker et al. 2007, Combe et al. 2009; Doole and Lowe 2004) that can be used to guide researchers. While the challenges facing market researchers in developing countries have been discussed (e.g., Burgess and Steenkamp 2006; Malhotra, 2010; Young and Javalgi 2007) overall there is a dearth of published consumer research studies relating to Africa (Bick et al. 2010; Greenland et al. 2006). This situation is likely to pose a particular problem for marketers in the future, since Africa is the fastest growing emerging market and is becoming increasingly attractive to multinational companies. The United Nations indicates that countries with the most rapidly rising consumer populations will be predominantly Sub-Saharan African (SSA) and predict the region’s population will double from one billion people in 2009 to two billion by 2050 (UN, 2004). Total African consumer spending is also projected to reach US$1.4 trillion by 2020, representing an almost 60% increase over a ten year period (McKinsey, 2010).

SSA has an established market research industry with larger global market research players, as well as smaller local agencies, operating in the region. While there are more than 50 countries in Africa and around 15% of the world’s population, Africa and the Middle East combined account for only 2% of global market research turnover (ESOMAR, 2010). Most of this revenue is generated by the multinational research agencies. Since it is uneconomical for them to support full service research operations in all countries, centrally based teams run projects across a large number of African markets. Smaller data capture oriented offices are supported by the full service research hubs, which typically operate out of Kenya for East and Central Africa, Nigeria for West Africa and South Africa for Southern states. These hubs are then coordinated by larger global regional offices. For example, the Nielsen and Millward Brown Africa operations fall under the jurisdiction of their organizations Asia Pacific headquarters. Despite the lack of publically available marketing research data significant commercial consumer research has of course been conducted in Africa. However, this is bound by client confidentialities and never makes its way into the public arena. Africa’s Market research industry practitioners have extensive knowledge of the challenges posed by this significant emerging region and these individuals form the focus of this research.
Research Design

This research adopts a phenomenographic methodology. Such qualitative approaches are suited to researching marketing management as they facilitate “exploration of the rich social context of the marketing profession largely ignored by quantitative marketing researchers” (Melaia et al. 2008). In-depth interviews using semi-structured schedule were administered via personal, group discussion and telephone data collection. Respondents were identified via communications with senior managers working in the industry, as well as assistance from Africa’s Marketing & Social Research Association (MSRA), which ran a workshop group discussion at their annual conference. Participation was gained by emphasising that sharing knowledge will help to improve standards of research across the market research industry as a whole. Confidentiality of responses and respondent anonymity were assured.

Some 50 respondents participated in the study. All were middle to senior level staff from Africa based market research agencies including Managing Directors, Area Managers, CEOs, as well as project managers and account executives. All were actively involved in the design and implementation of market research projects. The sample includes the key players in the region such as TNS-Research International, Nielsen, Millward Brown, Synovate Global, as well as several other smaller local Africa regional suppliers. The majority of participants were based in Nairobi Kenya, which serves as a hub for East & Central Africa, but the sample also includes several respondents from West Africa and South Africa. Most participants had direct experience of managing pan-Africa projects that include East, West, Central and Southern Africa. All of the more senior level respondents had experience of running multi-country studies, with some coordinating simultaneous research in up to 15 countries. These were seen as the most complex and demanding of projects. Data were captured via audio recording for the telephone and face to face interviews and video for the workshop group discussion. Interview transcripts were produced and then analysed using content analysis.

Results

An array of challenges facing the market research professionals in Africa was identified. A synopsis of each of the main themes is provided in the next section. While presented under separate headings most are of course interrelated. Many were also seen as having some unique issues relating to specifically to the idiosyncrasies of performing research in Africa.

Cost & Research Process

The expense of conducting research in Africa was a recurring theme discussed by practitioners. Project costs frequently end up being higher compared to developed countries precisely because of the complex issues involved. Given the wide range of potential pitfalls, there is also more chance of a project going over budget. While certain aspects may be easily overlooked at the planning stages, others can be totally unpredictable. A key element of this increased expenditure relates to the research process which must be adapted to overcome the challenges. Implications for the research process are significant and respondents frequently discussed these in relation to data collection and the fact that in SSA for most consumer surveys a face to face interview is the only viable methodology. Some traditional research approaches don’t work and / or are too complex and must be adapted to the local market. Furthermore obtaining truly random samples can be difficult. The following challenges all have direct implications for costs and research design.
Political & Economic Challenges

Many countries in Africa have concerns with regard to political and economic stability. All the senior staff of the larger agencies had coordinated multi-country projects and most had experienced project disruption relating to instability and conflict. This often resulted in project postponement, or amending the geographical areas sampled. In relation to economy Africa also has some of the highest inflations rates. Substantial currency fluctuations are also commonplace. These factors also posed problems for the practitioners in terms of budgeting and accurately predicting project costs, particularly with the pricing of multi-country projects.

Cultural & Societal Challenges

The cultural and social fabric of Africa makes it a very interesting, but particularly challenging research environment. Most of the 50 plus African countries have numerous tribal groups and languages. As illustration, Kenya has over 40 tribes all with their specific languages. While a questionnaire will rarely be translated into more than a few dialects, this example illustrates the scope for losing meaning in questionnaire and interview schedule translation. Another problem is that some languages are very verbose. Swahili for example, which is spoken in several important East African markets, invariably results in translated questionnaires that are significantly longer than their English counterparts. This is an important consideration in research design as survey reliability is adversely affected by interview length. Another frequently mentioned cultural aspect was that some communities view research suspiciously. To reduce this and obtain respondent feedback interviewers must be from the same social/tribal group. While many established research companies aim to maintain a good mix of field interviewers, since nepotism is endemic in some parts of Africa, this is not always so easy to implement. Another cultural aspect relates to spouses frequently not knowing how much each other earns. This poses particular problems for consumer research as household income is frequently a key indicator in segmentation models.

There massive economic diversity of many African societies also creates problems. Africa has countries with some of the world’s biggest rich-poor divides. Not least this has implications in terms of variable education and literacy rates, which also helps to explain why face to face interviewing is the preferred method of data collection. The practitioners discussed a range of hard to reach consumer groups. To access the more affluent strata of society interviewers have to overcome very high levels of security involving gated communities, secured compounds and security guards. Regardless of social standing many potential respondents are also wary of letting strangers into their homes to conduct interviews. In poorer suburbs and shanty towns, which typically house the highest proportions of the urban population, lack of security and lawlessness become a key concern with regard to interviewer safety. In these locations interviewing will cease well before nightfall and acquiring support from local community members may be necessary. Combined with very significant urban road congestion interviewer output can be severely hampered, increasing project length and costs.

Legislation Challenges

Vagaries of Government policy and legislation create problems for market research in many emerging markets, but especially Africa. Several common themes posing particular difficulties were expressed by industry practitioners. Obtaining appropriate research permits was a frequent obstacle. Many countries require Government permits for undertaking market
research. Some such as Rwanda require individual permits for each and every research project and also demand the research instrument prior to granting approval. This situation not only adds to project lead times, but also created confidentiality concerns for some clients.

The nature of international market research in Africa frequently requires agency staff to travel for briefing and training local teams. Visas applications can further add to project length and in certain situations the wrong visa may lead to delays, infringement upon local labour laws, and even the incarceration of staff. Many of the senior executives interviewed also expressed consternation at complicated and ambiguous taxation laws, particularly in relation to withholding tax payments for multi-country studies. Tax legislation varies significantly and in some cases tax needs to be paid both in the country where an agency is based as well as the country where the research is actually conducted.

Africa performs poorly in global corruption rankings (e.g., Transparency International, 2011) and when the potential for corruption is factored in these legislative aspects become even more costly to overcome. Several of the larger agencies reported costly court cases relating to alleged tax infringement.

**Infrastructure Challenges**

While aspects of accessibility have already been alluded to in relation to cultural and social diversity, as well as in relation to Government legislation, this issue is even more significant in relation to infrastructure. Many SSA markets, especially outside the capital cities have poor infrastructures. This poses significant problems relating to the huge geographic expanse of the African continent and the countries therein. Not least obtaining geographically representative samples can be severely hampered by the poor road networks, the lack of direct flights between key cities and the vast distances involved.

Infrastructure limitations effects the ability of research agencies to use different data capture methods, as well as the ability to communicate with field teams, which is restricted due to poor and or costly telecommunications, low internet penetration and varying levels of media use. Again this helps in appreciating why face to face interviewing is the norm for most African consumer surveys.

**Client Challenges**

The industry practitioners viewed many local clients as not being research savvy, but also emphasized that international clients from outside Africa frequently have limited understanding of the challenges posed for market research agencies working in the region. International clients are frequently research experts in their own regions but incorrectly assume that the same market research principles apply in emerging markets. Furthermore, familiarity with one African market does not equate to understanding the region and the huge differences that exist between the markets. This example was seen as being particularly pertinent if the client’s Africa research knowledge is restricted to South Africa, which in terms of infrastructure and research methodologies bares more similarity to developed countries. Even if clients have some idea of the challenges involved they frequently do not fully comprehend their implications for the research process, project logistics and of course costs. This research should help to assist in reducing these misconceptions.
The senior practitioners discussed situations where international clients approach agencies assuming that they need only basic data collection services, when in reality they require higher level research consultancy type input. Other evidence of clients’ lack of understanding of research in Africa was reported in terms of:

- Inappropriate methods. As illustration, multinationals requesting global market research projects to roll out in an identical format across African markets.
- Inappropriate samples / targets. For example, in terms of socioeconomic classification a C1 emerging market consumers is completely different in terms of spending power compared to a C1 from a more developed market.
- Not appreciating difficulties and costs associated with obtaining representative samples
- Project design having to be compromised in terms of sample size and spread in order to meet fixed budget limitations.

Research Resources & Supplier Challenges

The senior managers spoke of staffing challenges due to a shortage of qualified researchers with Africa experience. This in turn leads to a high turnover rate, with agency staff frequently being poached by manufacturing clients, as well as competitor agencies. Simple economic principles of supply and demand dictate that the salaries for senior research staff in Africa are high and this also reflects in research expense. Another supply challenge related to the availability of research resources and reliable secondary data sources. Inaccuracies in census data in particular created particular problems when sampling. Other research resources such as focus group facilities, consumer panels, and data processing facilities that are taken for granted in many developed countries are limited or unavailable in many African markets.

Many African countries have no competitive market research sector. In some of these such as Angola very high priced research monopolies may operate, with research costing many times the amount of an identical project in other African markets. Practitioners also reported issues with some unscrupulous local suppliers. These supply field / data collection services to larger agencies and quote one price during the proposal stage, but then raise their fees once a project is underway. Given the lack of other available suppliers in certain locations, agencies have no choice but to meet the additional expense.

Conclusion

Emerging markets offer potentially huge returns for organizations appreciating their consumers. However, they also present significant barriers to market researchers. While the sample is relatively small this research identifies the challenges from the market research industry practitioner perspective. The challenges relate to Africa’s diverse political and economic, cultural and societal, legislative and infrastructure conditions. Overcoming the challenges has significant impact upon research methodology and process, as well as significant cost implications. The research agencies task is further hampered by a lack of available research resources, as well as international clients who frequently have limited understanding of the issues involved. In the future a quantitative research phase is planned to establish the relative importance of the challenges of marketing research in emerging markets.
References


