Understanding Consumers in the Emerging Markets
- Comparative Study of India and Japan-

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1. Introduction

Today an increasing number of companies are entering and conducting businesses in emerging markets. Service businesses, especially B to C companies, usually have a series of contact points with customers, called "service-encounters" where "moments of truth" occur. Therefore, it is essential for service business firms to understand cognitive and emotional characteristics of targeted consumers before market entry.

If the business is about manufacturing, consumers' responses will mainly be to the products. However, in the areas of service, delivering processes and their environment are often crucial upon consumers' evaluation. For instance, a coffee shop can test the taste of its coffee in advance, however, services provided by the shop staff, ambience at the shop, and other attributes related to service provision are always highly contextual.

Further, it is assumed that it usually takes substantial time to understand consumers' traits. In this context, this study proposes a method to understand the traits of targeted consumers in a fairly short period of time before market entry, in line with operations of quick service restaurants (QSRs, hereafter) and coffee shop chains (coffee shops, hereafter). The framework we propose focuses on consumer satisfaction and loyalty.

2. Basic Ideas and Proceeding Studies

The purpose of the proposed framework is to clarify the general tendency of consumers directly related to the specific area of consumption, visits to a QSR or a coffee shop in this study. The framework comprises the following four phases.

Phase 1 is about understanding general distributions of consumer satisfaction and loyalty to service. This observation indicates how well the service concerned is being accepted by consumers. Loyalty is viewed both from behavioral and attitudinal perspectives, according to Dick and Basu (1994). Further, we also focus on "Intention to recommend" as an attitudinal perspective, following Reicheld (2003).

Phase 2 examines attributes that influence consumer satisfaction, which may be

different by country and by service type. As for the relationship between overall evaluation and partial evaluations, Mittal, Ross, and Baldasare (1998) exemplifies and explores quantitatively. The study finds asymmetric and non-linear nature of the relationship concerned. On the other hand, Stauss and Weinlich (1997) conducts qualitative analyses to identify different traits of each phase as the service process proceeds. Stauss and Weinlich propose the idea of "minimum-requirement factor" and "value-enhancing factor," the notions which we apply in this study.

Phase 3 is about how consumers' expectations influence service evaluation. This analysis will be closely linked to a company's communication strategy, such as advertisement. Expectations in the context of service evaluation have been extensively studied. For instance, Parasuraman, Zeithaml, and Berry (1988) proposes the framework of service evaluation called "SERVQUAL." This framework is based on the notion that each attribute is evaluated in comparison with its expectation to influence or aggregately form overall evaluation. This concept is widely known as "expectancy-disconfirmation model of satisfaction," and Cronin and Taylor (1992) argues against this model.

Phase 4 is to analyze relationship between consumer satisfaction and loyalty. Loyalty is expressed here as being four-fold; 1) behavioral loyalty (repeated visit), 2) intention to revisit, 3) attachment, and 4) intention to recommend. The above 2) through 4) are operationalized forms of attitudinal loyalty. The findings should give us implications as to how much we should invest in improving consumer satisfaction in relation to its linkage to loyalty.

In our study, data were collected by questionnaire surveys. The respondents were required to have experienced the service in the previous three months and remember the experiences well. Respondents of the survey in India live in the urban area of Delhi, Mumbai, or Chennai, the sample numbers of which are 255, 265, and 268 respectively. Out of 788 respondents in total, 454 answered about their experiences at QSRs, and 334 about those at coffee shops. As for the survey in Japan, respondents are from Tokyo, Osaka, or Nagoya, and the sample numbers are 297, 228, and 226 respectively. In Japan, food chains are usually categorized into "fast-food chain" or "family restaurant chain," thus these terms were used in the questionnaires. As the result, 250 answered about fast-food chains, 250 about family restaurants, and 251 about coffee shops.

3. Results

We have proposed a patterned research methodology consisting of 4 phases. Applying this framework, we have found the following about middle-class consumers in India in the field of food chains.

First, it should be noted that in India, income distributions are different between visitors of QSRs and those of coffee shops. The latter tends to fall into higher income brackets than the former. Such a difference is not observed with regards to the consumers in Japan.

Phase 1: Overall Consumer Satisfaction and Loyalty

Overall consumer satisfaction is higher in India than in Japan. The differences with QSRs are greater than those with coffee shops; in India, coffee shop visitors are wealthier on average. In addition, wealthier people tend to rate more critically in India, making the difference from the Japanese counterparts smaller. With respect to the distribution of loyalty, the ratio of "latent loyalty" is large in India, indicating great potential for growth in the market. In contrast, a considerable ratio of consumers in Japan show "spurious loyalty," that poses a threat of brand-switching even by repeated customers.

Phase 2: Elements Influencing Consumer Satisfaction

With regards to the influence of elements on consumer satisfaction, location and reasonability of pricing are more important in India than in Japan. This is more conspicuous for QSRs, while such difference is smaller for coffee shops. In addition, in India, it is difficult to specify each element as to whether it is a "minimum-requirement" or a "value-enhancing" factor.

Phase 3: Roles of Expectations

Indian consumers do not follow the "expectancy-disconfirmation model." In most cases, the empirical results have turned out to contradict the theory. On the other hand, this theory perfectly applies to the consumers in Japan.

Phase 4: Contributions of Consumer Satisfaction to Loyalty

In India, a moderate consumer satisfaction level can lead to "attachment" and "intention to recommend." Additionally, when a consumer is a repeated user, it is very rare for him/her to become a "detractor" even if his/her last experience was not satisfactory. In contrast, consumers in Japan tend to indicate "intention to revisit" if they are satisfied, but even a high consumer satisfaction level hardly links to "attachment" or "intention to recommend." Furthermore, repeated usage is far from a satisfactory condition for "attachment" or "intention to recommend."

4. Implications

We suggest that the proposed framework of four-phase patterned analysis is helpful to understand the traits of targeted consumers. For instance, we now know that the impacts on consumer satisfaction are different among attributes and between the

two countries in Asia. This knowledge suggests how we should prioritize investment in marketing activities. In addition, unlike in Japan, raising consumers' expectations is an effective strategy in India. Furthermore, we know an improved consumer satisfaction tends to cause attachment and positive word of mouth in India, rather than repeated usage of the service. In this regard, 'introductory special offer' may be more effective than discount tickets for repeaters.

The time span of the research conducted in this study is two months, and it is based on fairy simple multiple-choice oriented questionnaires. Moreover, the results are easy to interpret, thus this framework should be easily performed by businesses practitioners.

Possible Relationship between Consumer Satisfaction and Loyalty
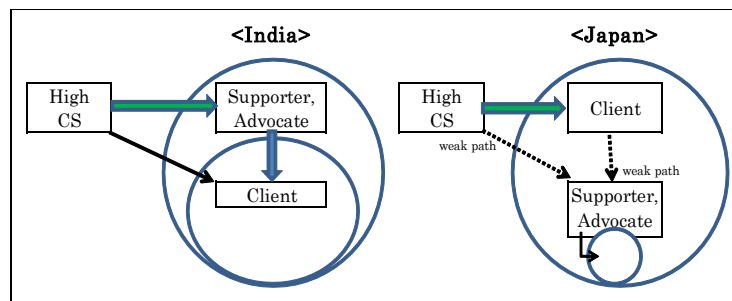
Note: CS stands for consumer satisfaction.
Source: Constructed by Authors

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