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International and National Marketing Channel Decisions For Emerging Markets

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Abstract
Distribution channels have been the bane of marketing in the emerging markets, with decisions still subject to the cleavages of traditional and cultural dispositions and the government control. The emerging markets are transitional and in a close economy devoid of conventional marketing practices in the distribution of products. A survey was used to investigate the emerging markets of Brazil, Russia, India, China, Korea,(BRICK) states, Indonesia, Malaysia, Chile, and others that form the population of study. The findings show that distribution channels are gradually being integrated into the various businesses as major links between the channel participants. The emerging markets are now involved with restructuring and moving away from government controlled economy to a free market economy. There is the need for the development of distribution channels, encouraged by the operations of the market involving movements and exchange processes of products between the manufactures and the consumers.
Keywords: International Marketing, National Marketing, Emerging Markets

Introduction

Marketing in the countries of the emerging markets or emerging economies now constitute great challenges in the world economy, that it has formed the basis for the interests in reconciling the economic relationships among nations. New York Times (2007) www.nytimes.com/2007/22/business argues that we are now seeing a balancing of the global economy back to where it was before the industrial revolution, when China and India were major powers in the world.

However, the problems confronting various businesses in the emerging markets are the functionality and operations of the distribution channels considered weak and poorly organised for effective and efficient transactions in the domestic and international markets within the domain of the emerging markets. Kotler, Saunders & Wong, (1999:922) argue that distribution system in developing countries may be scattered and inefficient, or altogether lacking.

The government control of the economic structures rendered the marketing channels vulnerable to strict operating code of the civil service rather than commercial business transactions involving free flow of demand and supply of products. The infrastructural facilities and institutions for channels of distribution have not been developed and the levels of business operations are dictated by government regulations. These markets are regarded as closed economies by the developed countries of the world.

Cavusgil (1997) www.findarticles.com/ suggests that many of the countries and their markets have inadequate infrastructure; distribution channels are usually undeveloped and inefficient. Western firms often find difficulties in identifying qualified, competent intermediaries. The government sector is often the primary actor.

Zafer, Boulas, Buchanan, Forteza & Zappel,(1998) submit that in most emerging countries, government intervention is an acquired taste in the eyes after de-colonization, governments set out ambitious development goals but lacked the capability to make them happen. A few local companies help governments put their policies into operations and they lobby and influence government policy (public policy). The mere concentration of opportunities in few or limited set of hands has in turn slowed the emergence of strong market institutions, thus providing an additional opportunities and advantages to the companies that had sufficient scale to invest in internal capabilities that could substitute for the deficiencies of the market.

There are difficulties for multinationals and international companies moving into the emerging markets for the marketing of their products, and in the same vein, those companies in emerging markets lack efficient and organised marketing channels that could strengthen the domestic market operations and breaking into the international markets.

The government through restructuring may be initiating greater efforts at opening and freeing the market to the forces of demand and supply that could allow the movements of products into the developed markets and the products from those markets moving into the emerging markets.

Liberthal & Lieberthal,(2003) suggest that China made massive investments, including vast expansion of the rail, highway, telecommunications, and water management systems. These investments have improved connections among what used to be largely separated domestic market, China is gradually moving from government regulated planning and administration of socialist economy to the regulation of market economy.

The multinationals and international business investors from the developed market economies have adopted some approaches to the problems of channels by engaging in relationships through joint ventures and alliances with the companies of the emerging markets, the use of direct investments, development of individual private channels and adapting to the existing traditional local channels. The traditional channels other wise known as the quanxi are the dominant structure in Asia where the personal and family fraternities still hold the key to product distribution. http://www.apmforum.com/asia-business-strategy.php (1999) state that Asian business has traditionally relied on guanxi (or family connections), markets were more often than not controlled by governments rather than the free market, and government patronage resulted in favoured government tying up consumer markets to the detriment of other companies that could offer better (and cheap) products.

The New York Times (2007) www.nytines.com suggests that Russian companies have leveraged their natural resources wealth to set up distribution channels and make acquisitions in the west. The emerging multinational will also be building new plans (channels (sic) in the United States and offering services and products that are in great demand. Vanhonacker (1997:130) argues that the distribution system in China is quite chaotic and is undergoing fundamental changes, for example, in shanghai, the major retailers have recently restructured into three groups – the department store group, the Hualian group with majority of retail space in the city of 13 million residents. These are expanding nationally and trying to integrate the wholesale function, traditionally the weak link in China's distribution system, by buying directly from manufacturers.

The emerging market countries are located in all the continents of the world including Asia, Eastern Europe, Latin America and Africa. Pettis (2001) citing Antoine W.Van Agtmael http://www.en.wikipedia.org/wiki of the international finance corporation of the WorldBank as having coined the "emerging market or developing economy (EME)" and defined as an economy with low-to-middle per capita income, such counties constitute approximately 80percnet of the global population, representing about 20 percent of the world economy.

Emerging markets are characterised as transitional meaning they are in the process of moving from closed to an Open Market economy while building accountability within the system.

Cavusgil (1997) www.findarticles.com cited the United States department of Commerce as listing 18 "Big Ems". China, HongKong, Philipines, Singapore, Taiwan, (The Chineze Economic Area), Indonesia, Malaysia, Thailand, Brunei (ASEAN), Vietnam, India, South Korea, Argentina, Mexico, Brazil Poland, Turkey, and South Africa. The Economist adds Venezuela, Greece, Israel, Portugal, the Czech Republic (Czechoslovakia), Hungary and Russia.

These countries are considered to be relatively having three quarter of the world population and the biggest dormant market in the world. Ghauri (1995:383-384) argues that in terms of area, Eastern Europe is the largest group of countries in the world. One of the biggest problems in marketing products to these markets is that there are no retailers, wholesalers or any other effective distribution channels.

Statement of the Problem

The countries of emerging markets are the current market operators with the greatest challenges to the established western markets that has dominated the world over the years. The conventional marketing channel practices may not thrive fully in the emerging markets in spite of the massive movements of the countries' products into the world market, as the traditional and cultural practices are the vogue. How this has affected the distribution of these countries' products remain the subject of investigation as competition remain the major factor dictating the world market domination.

Objective of the Study
The objective of this study is to determine the channel decisions for distribution of goods used by the countries of the emerging markets and how the decisions have contributed to the improvements of these markets.

Theoretical Framework
The channel of distribution is a fundamental requirement in marketing and it is a creation of the manufacturers for the flow of products o the consumers. However, channels are affected by the level of market development of the society, such as what obtains in developed countries and those of the emerging markets or developing economics. Berkowitz, Kerin, Hartley, & Rudelius,(2001:143) argue that the sophistication of a country's distribution channels increases as its economic infrastructure develops.

The development of domestic marketing channels is the pre-requisite for building up the knowledge for entry into the international market as it will encourage local marketers to prepare for international competitions. Porter (1990:590) suggests that encouraging and assisting domestic buyers and suppliers to compete globally is one part of the task of upgrading them.
The distribution channels entails that marketing is a participative function involving many buyers and sellers through various activities offered at different levels of exchanges including direct exchange between manufacturers and consumers, the indirect exchanges through retailers, distributors, wholesalers, agents, franchising and direct investments. These are the marketing institutions that have sustained the growth of marketing in developed economies.

In emerging markets the marketing functions are underdeveloped that they cannot sustain the rapid economic growth that is taking place through the restructuring efforts of the government. The non-existence or absence of marketing channel structures, constitute a serious impediment to the distribution of products in these countries. The use of traditional and cultural structure created by the government negatively affects the distribution of products. Vanhonacker (1997:134) argues that at the same time the traditional three tier (national, provincial, and local) distribution system is crumbling and giving way to various parallel channels that charge different fees and provide different services in every geographic area…. Every Chinese company belongs to and operates under some combination of local, provincial and national or central government authority, each with its own agenda (and hence conflicting interpretations of rules and regulations).

The importance of marketing channels in emerging markets could be appreciated from the contributions of the growth of indigenous markets that has been struggling to emerge from the set backs of undeveloped market to build international and multinational markets and compete with those of developed economies making their entries into the emerging markets to boost their international campaigns and enhance profits. The import of this is the government restructuring efforts at creating free market economy.

The prominent channels in emerging markets have been through alliances or coalition between global manufacturers and domestic entrepreneurs, that have resulted to greater improvements in the domestic market due to stiff competitions within the intra firm and inter firm channel operations. Poter (1990:612) further argues that alliances or coalitions have become prominent in globalising that has encouraged economies of scale, gain access to technology or markets, and achieve other benefits without giving up corporate independence or requiring an expensive merger.

The existence of the channels of distribution, have enhanced the competition among countries of the emerging markets both within and outside their borders. The development of retail outlets is usually the primary base for successful marketing for effective development in the domestic market. D' Andrea, Alegandro, & Geobeel-Krsteli,(2004) www.strategy+business.com/ suggests that large retails have made modest penetration progress in low income segments in Latin America, because multinationals have superior products and developing retailing formats targeted at high income customers to be able to take their eyes off the potential of consumers with limited incomes….. to accelerate their penetration of these markets, and sustain profits over time, those companies must offer emerging consumers different value proposition, modify their distribution and marketing strategies and achieve global scale and local focus.
The populations of various emerging market countries are so large that there are more than sufficient market opportunities for growth and expansion with domestic products, and without the marketing channels these

market potential, will ever remain dormant. Kotler et al (1999:922) argue that China and India are huge markets, each containing hundreds of millions of people. In reality however, these markets are much smaller than the population number suggest. Because of inadequate distribution system in both countries, most companies can profitably access only the small portion of the population that is located in each country's most affluent cities.

The framework has the focus on the analysis of channels of distribution in emerging markets that can sustain the attempts by indigenous entrepreneurs' struggles, to build world-class business against the constraints of international competitors seeking to profit from investment opportunities in emerging markets.

Marketing Channels in Perspectives

The emerging markets are warped with deluge of channel problems that may have complicated some of the distribution decisions on poor customer services, weak relationship between manufacturers and consumers, government control of distribution machineries, and lack of data on information about distribution services. Kotler et al (1999:905) argue that gaps exist between manufactures and consumers that have to be filled through the functionality of channels. The growth of marketing is dependent on how much of the products get to the reach of consumers at the right time, place, and possession.

The channels for domestic market must be efficiently functional to support the local and international market operators. Ennis (1995:198) argues that the market place has become more complex in recent decades. This was caused in no small measure by a more sophisticated demanding consumer with greater levels of disposable income, that has led to increasing product proliferation, with resultant fragmentation of markets as companies seek to satisfy the ever-changing needs of the market place.

The emerging markets are not exposed to these sophistications of distributions and product proliferations as the market still remain predominantly underdeveloped. The population of consumers are highly rural based and cannot be easily accessible for effective product distribution. The manufacturers are also isolated by limited contacts with the rest of the world that the advantages of distributions of products to other markets are non-existent. There are no agents, and other marketing intermediaries.

Ennis (1992:198) suggests that except in very rare circumstances, it is impossible to reach various middlemen who take responsibility for numerous tasks that the manufacturer would find impossible to perform, from either an economic or practical perspectives. These activities are present in all marketing channels, but not all are developed to function optimally in the interests of the market, manufactures, the intermediaries and the consumers. The emerging markets are highly deficient in the development of marketing channels due to government controls and relying on traditional and cultural relationships in the distribution of products. Tietz (1994:384) argues that most of the new firms registered in these countries are sales outlets…. however, the proportion of total retail sales handled by state owned outlets is still much higher than in terms of actual proposition of outlets.

Kialjic (1990:1419) and Subhash & Tucker, (1994:384) consider these problems as gaps that exist between the Western and Eastern economies including marketing gap where goods are normally distributed or allocated rather than marketed. The marketing concepts of consumers are unknown as demand has always been greater than supply and there is the technology gap. Berkowitz, Kerin, Hartley & Rudelius (2001: 438) suggest that marketing channels in the global market place reflect traditions, customers, geography and the economic history of individual countries and societies. These factors influence the channel structure and relationships among channel members.

The conventional channels that exist in the developed countries are conspicuously absent in the emerging market economies. The emerging market channels lack the financial capability, the storage space, inventory management and customer development that cannot support any meaningful mass marketing of products. Bowersox, Cooper & Taylor (1980:411) argue that firms sell into foreign markets from domestic base facilities and requests received from outside counties but then it is unorganised and intermittent. Profit interests and experience leads to exporters seeking permanent distribution channels. Exports may be indirectly through a variety of middlemen or directly to foreign buyers.

SUPPLIER	HOME COUNTRY
INDIRECT	→ **International Trading Company** → **Export Merchants** → Resident Buyers → Export Commission → Allied Manufacturer → Export Management Company
DIRECT	→ Foreign Agent → Wholesaler → Retailer → Consumer or Merchant → Foreign Branch → Industrial Distributor → Industrial government user

Fig. 2. The Major Direct and Indirect Export Channels
Source: Adapted from Franklin Root R. (1986) "Export Marketing" in Victor Buell P. (ed) Hard Book of Modern Marketing. New York: McGrawHill pp105 – 107.

Bradley (1986:23) suggests that indirect exports requires least effort and deals with local firms as intermediaries, and has little or no problems of documentation or bureaucracies and regulations. However, government controls in emerging markets do not allow these forms of channels to thrive because of protection laws. The exporting firm has no control over the domestic marketing firm and channel management. International trading company such as Mitsubishi Corporation and C. Hal and Company of Japan handle 68-70percnet of trade imports and 45percnet of exports, with home government support and protection to guide against foreign competition.

The Japanese trading companies are good at purchase and sale of commodities and manage the distribution with good information flow. This may be strictly adaptive for domestic markets that greatly improved Japan's business development and growth. The export merchants are wholesalers that deals with international marketing by buying from local manufacturers and exporting to other countries. The domestic buyers are mainly organisations that buy local products and ship to international markets such as sears of United States.

The allied manufacturers are involved with use of existing facilities in foreign countries for product and competing with the domestic markets such as General Electric Company in Latin American Countries. (Roehl 1982:86-100) Albaum, Strands & David (1989:170). In emerging markets the per capital income can not support high volume by the consumers, rather, the frequency of purchases in little quantities are very high, that can not support channel development and market growth. In many South American Countries, cigarettes are purchased in sticks against packets as obtained in advanced economies. This supports retail business more than wholesales. The markets are highly fragmented.

The international marketing channels are expected to be efficiently developed from the domestic marketing to be able to support flow of goods along the channels because only the satisfaction of local consumers can build up the resources of technology, product distribution, experiences, good pricing and information needed to support the foreign market. Morrissey, & Filatotcher, (2000:10) argue that for developing countries, attention to marketing channels and linkages with major customers is as essential as improving firm – level performance and export infrastructure.

Fahy (1998:206) suggests that international firms compete on the basis of their ability to effectively transfer learning from domestic markets to new foreign markets… international firms typically see their domestic operations as being most important and their foreign activities as something of an appendage that may not be necessarily critical to the overall success of the enterprise.

Characteristics of Emerging Markets
The domestic and international marketing operations in the emerging markets have been shrouded in secrecy that the approaches to marketing channel management can not be effectively assessed, or evaluated and analysed. The countries of emerging markets are basically involved with restructuring their economies along market-

oriented operations, thus discarding the closed market structure that depended heavily on crude traditional organisations. The markets are now having a breather with wealth opportunities in trade, technology and Foreign Direct Investment (FDI). Chuan(http://www.uiowa/ifdebook/) citing world Bank report, the five biggest emerging markets are China, India, Indonesia, Brazil, and Russia. Other markets are Mexico, Argentina, South Africa, Poland, Turkey and South Korea.

These markets are characterised by large population, large resource base, large markets, and are transitional, as the world fastest growing economies. By 2020 the five biggest emerging markets share of world output will double to 16.1 percent from 7.8 percent in 1992. There is an accelerated change from dependency to interdependency with the developed markets, redefinition of government interventionist actions and existing business laws that could reduce the markets stranglehold by government authorities.

The traditional approach to the development of marketing channels with multiple fragmentations of the wholesale and retail institutions have adversely affected the growth of the markets. The traditional system recognises the national, provincial, regional and local authority allocation and selection approaches of distribution rather than through the market intermediaries. The situation is encouraged by the dispersion of the population in rural areas and the topographical structure of Islands scattered over diverse areas.

The limited land structure in some countries like Malaysia, Indonesia and Korea, may have been instrumental to the retail outlets, as the most feasible distribution structure for the domestic markets. Subhash (1990:489-91) argues that despite Japan's economic achievements, the distribution system has remained remarkably faithful to its antique pattern…. It encourages wide range of wholesalers, retailers, other agents, brokers, differing more in number than in function from their European and American Counterparts…. The distribution network reflects the traditionally close ties among the Japanese companies and places much more greater emphasis on personal relationships with users.

Vanhonacker (1997:134) suggests that at the same time the traditional three tier (national, provincial, and local) distribution system is crumbling and giving way to various parallel channels that charge different fees and provide different services in every geographic area of China and other Asian countries. In the Chinese distribution system the retailers deal with the manufactures more than the wholesalers.

There are conflicting interpretation of rules and regulations guiding marketing operations because of the different traditional backgrounds of channel operations. The international companies operating in China deal more with the ministries as joint ventures and economic partners even when such ministries do not have the knowledge of the products. The interest of the international partners is to have an inroad into Chinese Markets.

Table 1: Emerging Markets Versus the United States Market Size.

Products	**China**	**India**	**Brazil**	**USA**
Television (Million Units)	13.6	5.2	7.8	23.0
Detergent (Kg per Person)	2.5	2.7	7.3	14.4
(Million Tons)	3.5	2.3	1.1	3.9
Shampoo ($Billions)	1.0	0.8	1.0	1.5
Pharmaceuticals ($Billions)	5.0	2.8	8.0	60.6
Automotive (Million Units)	1.6	0.7	2.1	15.5
Power (Megawatt Capacity)	236,542	81,736	59,950	810,964

Source: Prahalad, C. K. and Lieberthal, K. (2007) The end of corporate imperialism. http://viewwive.com/
The Economist, in partnership with Harvard Business Review Publishing.

Table 2: The Market Pyramid in China, India and Brazil

Purchasing Power In US Dollars	Population in Millions.		
	CHINA	**INDIA**	**BRAZIL**
Tier 1 greater than $20,000	2	7	9
Tier 2 $10,000 to $20,000	60	63	15
Tier 3 $5000 to $10,000	330	125	27
Less than $5000	820	700	105

Source: Prahalad C. K., and Lieberthal K. (2007) Ibid.

A consideration of the tiers, reveal the population formation of consumers responsive to international brands and the ability to afford the products. The higher the population in the 2nd and 3rd tiers the lower their ability to afford the products, and the least group below tier 3 with the highest population depend entirely on the local brands and most of them may not even have knowledge of brands.

The distribution in China is entirely dependent on the traditional structures that had planned economy with government in total control of distribution and supplies and this did not make for a perfect system and market economy. Prehalad & Lieberthal,(2007) argue that even at present there is no real national distribution network for most products. The major practice in place is the joint venture partnership that does not work out well as the local partners project their domestic interests in loyalty to the government. Distribution in China is local and provincial, under the former planned economy most distribution net works were confined to political units, such as counties, cities or provinces.

The only innovation in the domestic market is the formation of distribution outlets by the individual local investors who team up to organise retail outlets. Padhyay & Dawer, (2000:361-365) argues that shopping patterns is also a problem as the consumers shop daily, which gives them 365 days chances a year to switch brands. Attempts to encourage repeat purchase by reaching the buyers at point of purchase positions is indispensable. Banga (2005) http://www.whartonsop.com/ discusses the characteristics of emerging markets as bordering on the various aspects of marketing such as:

- Markets and culture are demanding: the manufactures target 2nd rate quality products against the high tastes for high-grade quality of the consumers.
- Product and services adaptation to local cultures and traditions. There is problem in selling jewels at stores to Islamic culture that doesn't allow women exposure of their faces.
- High rate of emigration to the developed world.
- Fragment markets and no major national market. China is a nation but not a national market.

The population is fast growing and the same applies to the market. The youth market is about 21 percent of the under 14 years of age in United States. India is 33percent, Brazil 29 percent Iran 33 percent. The land spaces in most countries are limited, and low-income earnings that discourage large shopping.

Khanna, Palepu & Sinha,(2005) www.hbswk.hbs.edu/ suggest that though China is open to foreign investments, but doesn't allow citizens to travel abroad freely. India is relatively closed but the citizens travel freely and are receptive to foreign ideas. The more open a country's economy, the more likely it is that global intermediaries will be allowed to operate there. The international companies may use the services of local intermediaries.

TABLE 3: Emerging – Market Indicators

Economy						
	% Change on Year Ago			Latest 12 months, $b		
Country	GDP	Industrial Production	Consumer Prices	Trade Balance	Current account	Foreign reserves $b, latest
China	+10.3 Q1	+17.9 May	+1.4 May	+118.1 May	+160.8 2005	925.0 May
HongKong	+8.2 Q1	+7.0 Q1	+2.1May	-13.1 May	+20.7 Q1	126.5 May
India	+9.3 Q1	+9.5 Apr.	+6.3 May	-14.0 May	-10.6 Q1	156.7 May
Indonesia	+4.6 Q1	+0.2 Mar.	+15.5 June	+32.7 May	+3.0 Q4	40.8 Apr
Malaysia	+5.3 Q1	+4.7 Apr.	+3.9 May	+26.9 May	+19.5 Q1	79.0 May
Pakistan	+6.6 2006	+193 Sept	+7.1 May	-11.2 May	-4.8 Q1	11.5 Apr
Philipines	June	-13.9 Apr	+6.7 June	-3.6 Apr	+2.9 Mar	18.1 May
Singapore	+5.5 Q1	+10.6 May	+1.1 May	+32.7 May	+36.1 Q1	128.9 May
South Korea	+10.6 Q1	+11.6 May	+2.6 June	+18.2 June	+8.9 May	224.7 May
Taiwan	+6.1 Q1	+8.6 May	+1.7 June	+10.1 May	+18.1 Q1	260.4 June
Thailand	+4.9 Q1	+8.9 May	+5.9 June	-3.7 May	+1.2 May	56.0 May
Argentina	+6.0 Q1	+6.0 May	+11.0 June	+11.6 May	+6.7 Q1	21.2 Apr
Brazil	+8.6 Q1	-1.9 Apr	+4.2 May	+44.7 June	+12.7 May	63.4 May
Chile	+3.4 Q1	+6.9 May	+3.9 June	+14.2 May	+0.8 Q1	17.4 May
Columbia	+5.1 Q1	-1.8 Apr	+3.9 June	+1.1 Mar	-2.0 Q1	14.5 May
Mexico	+5.2 Q1	-0.8 Apr	+3.0 May	-3.8 May	-1.2 Q1	78.4 Apr
Peru	+5.5 Q1	-1.5 Apr	+1.8 June	+5.7 Apr	+0.7 Q1	13.3 Apr
Venezuela	+3.6 April	+21.0 May	+11.8 June	+34.8 Q1	+28.1 Q1	23.7 Apr
Egypt	+9.4 Q1	+4.0 2005	+5.3 May	-11.2 Q1	+2.1 Q1	22.1 May
Israel	+5.9 Q1	June	+3.5 May	-8.1 May	+4.4 Q1	28.2 May
Saudi Arabia	+5.2 Q1	+2.7 Apr	+2.4 Apr	+134.3 2005	+90.7 2005	24.0 Apr
South Africa	+6.5 2005	na	+3.9 May	-6.1 May	-11.7 Q1	21.5 May
Czech Republic	June	+0.1 Apr	+3.1 May	+1.7 Apr	-3.4 Q1	30.8 May
Hungary	+4.0 Q1	+3.6 Apr	+2.8May	-3.1 Apr	-7.9 Q1	21.8 May
Poland	+7.4 Q1	+7.4 May	+1.2 May	-2.6 Apr	-4.4 Apr	46.4 May
Russia	+4.6 Q1	+19.1 May	+9.1 June	+132.3 Apr	+93.5 Q1	239.3 May
Turkey	+5.2 Q1	+10.6 May	+10.1 June	-49.1 May	-26.9 Apr	59.8 Apr
	+5.5 Q1	+7.1 Apr				
	+6.4 Q1					

*Excluding gold, except Singapore and China; IMF definition. + Economist Intelligence Unit estimate.

Source: The Economist (2006) Emerging – Market Indicators. The Economist July 8th P 98 National statistics offices, Central Banks and Stock exchanges; Thomson Data Stream; Reuters; wm/Reuters; Hong Kong Monetary Authority; Centre for monitoring Indian Economy; Bank Leumi-le Israel; Standard Band Group

Methodology

The survey design was adopted and the population was the countries of emerging markets comprising Brazil, Russia, China, India and Korea (BRICK) states and also including the states of Malaysia, Indonesia and Chile, Mexico among others. The use of secondary sources of information was entirely relied upon as it met with the qualitative and empirical requirements for the study.

Discussion of Findings

The findings were that emerging markets are strongly challenging for the restructuring of the markets and especially the marketing channels that could revolutionise the entire marketing in these economies to the leadership and control of the world market. The government influence on the domestic market as a protective strategy creates the natural barrier for emergence of open market competition and this has encouraged the traditional channels that revolve around families even when the capital base cannot support expansion into foreign markets. The Chinese government for example is responsible for registering foreign businesses and often those that can pose serious competition to domestic markets are restricted in many areas that cannot encourage the use of conventional marketing channels by being subjected to distribute products through the local manufacturers. The mass-market campaign in the emerging market is by face to face more than the television and press.

The cultural and traditional backgrounds of emerging market economies also constitute barriers to the channel of distribution development in these markets. The distribution channels have remained undeveloped and poor, and in large cities distribution is often through small holes in the wall shops – Pann Walla in India, Tiendas de la esquinas in Mexico and Sari – Sari in Philippines are major types in use. Most villages do not have retail stores but rely on local market days or carnivals that are temporary in Nature.

Conclusions

The political, social and open economies shape the market contexts in any society. The thorny relationships between ethnic, regional, and linguistic groups in emerging markets, also affects the markets and foreign investors. In Malaysia for example the rivalry between the Malays and dominant Chinese communities affects the level of market operations especially in government support for the local citizens.

Recommendations

The need for the emerging markets to adopt the conventional marketing channels is imperative to allow for the required competition that could expose their products more to the world. The financial disadvantage of the local channels limits the channels to domestic use against dealing with wider markets that can create more demand and open up avenues for international competitions.

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