



**Proceedings of GLOGIFT 08**  
June 14-16, 2008  
Stevens Institute of Technology  
Hoboken, NJ, pp. 914-918

## FLEXIBLE M-STRATEGIES IN EMERGING MARKETS

**Swapna S. Sinha\***

### ABSTRACT

*The US based TNCs current e-strategies in the emerging markets are investing in i-strategy (internet). Due to lack of e-infrastructure, 'm-strategy' seems to be the right choice. This paper conducts research on consumer acceptance of m-strategies based on certain user centric parameters. The data were collected from a sample of 294 respondents by conducting telephonic referral interviews. Hypotheses were tested using linear structural equation model. Results suggest that user centric parameters comprising- advertising disposition, technical competence, interpersonal influence, and innovativeness determine the attitude of consumers to accept mobile marketing. Conclusions are presented and future research directions are discussed.*

### Introduction

United States economy is maturing; registering only 2.9% GDP growth in the second quarter of 2007. US based TNC's are looking for ways to expand their business in emerging markets. India is growing at a rate of 9% for last four years and is expected to grow consistently over next twenty years, as indicated by Goldman Sachs study: Dancing with BRIC 's: Path to 2050. The study suggests that by 2050 Brazil, Russia, India, and China will be greater in GDP than current G8. However, in India, telephone access, computer availability (5%), Internet access (2%) is still a problem. For instance, telephone penetration in India is 25% in urban areas, and only 1.6% in rural areas. The government of India does not seem to be proactive on this front. Some other governments such as the government of Singapore subsidized e-business services to create a digital success story and today it boasts of the world's first nationwide broadband network called 'Singapore ONE'. Consequently, in e-business, India ranked 59 out of 69 countries surveyed by EIU. The current e-infrastructure restricts reaching to the masses.

TNCs have thus to find out ways to circumvent the current e-infrastructure bottlenecks and focus on a growing channel for interacting with the customer. Mobile phone seems to be an answer. Mobile phones have grown extensively in India. India today boasts of targeting 250 million mobile telephone subscribers by 2007 end, which is expected to grow by 30% each year. The success of TNC's e-strategy in emerging markets lies in tapping the middle trapezium of the social pyramid- the middle class of 350 million people. By using the mobile medium it is possible for marketers to reach mass consumers anytime and anywhere. Globally, m- marketing is growing; projected revenue for m-commerce was at \$ 9bn in 2007, and is predicted to reach US\$88bn by 2009. TNC's have to get their m-strategy right in the emerging markets. M-strategy can be defined as the delivery of services via mobile devices such as smart phones, mobile phones and personal digital assistants from seller to buyer. MIT Professors emphasize the significance of m-strategy and refer to m-strategy as "brand in the hand"—the potential for

\* Golden Gate University, USA, swapnassinha@yahoo.com

branding and marketing communications to be delivered to people in their hands while they are shopping, watching a sporting event, commuting, working or doing chores at home (Sultan and Rohm, 2005). In current scenario, to expedite revenues, and not wait until the government creates a seamless e-infrastructure, TNC can use mobile marketing. Therefore, mobile marketing appears to be a better strategy in merging markets.

The nexus between customer centric parameters and attitude towards m-marketing is not yet fully understood in the literature. This paper intends to fill that gap. The paper starts with a review of the extant literature on mobile marketing and consumer attitudes to acceptance of this relatively new technology in emerging markets. The methodology adopted is described, followed by an analysis of results. A discussion of the emerging theory and its link to consumer characteristics follows before the paper concludes with discussion and directions for future research.

### Literature Review

There are studies that have analyzed consumer perceptions, attitude and acceptance towards m-strategy (Bauer et al, 2005) and have investigated the factors that induce consumers to accept the mobile phone as a means of communicating promotional content. They found entertainment value as well as information value as the strongest drivers of the acceptance of the mobile phone. Scholars (Karjaluoto & Alatalo, 2007) have studied consumers' attitudes towards and intention to participate in mobile marketing and found attitudinal characteristics affected intention towards m-strategy. An empirical study (Karjaluoto et al, 2008) was conducted to find the factors affecting the Finnish consumers' intention to receive SMS marketing. The authors developed a conceptual model; they found that viral marketing affected attitudes of Finnish consumers. Another study (Mort and Drennan, 2005) explored factors of marketing m-services to consumers and found that establishing a usage benefit typology is related to mobile user characteristics. In another study authors (Sultan and Rohm, 2005) develop a conceptual framework of m-strategy and name the coming era as an era of 'Brand in the Hand' Marketing. They present issues relating to m-strategy that have to be addressed in the future to make it acceptable to consumers. However, there is no study from an emerging market perspective, which is important and different considering the lack of adequate e-infrastructure in these markets. This study fills that gap.

The Theory of Reasoned Action (TRA) states (Ajzen and Fishbein, 1980) that acceptance for any product can be forecasted by measuring the attitude toward acceptance. Accordingly, this study measures the impact of user centric parameters on attitude towards acceptance of m-marketing. People have sought to limit their exposure to advertising and promotional content, sparking the growing popularity of services like TiVo and satellite radio. A research (Güttler, 2003) found that most consumers will try to reduce the inconsistencies between their cognitions by modifying the attitude featuring the lowest resistance to become more consistent with the other attitudes of the system, therefore-H1: It is hypothesized that people having disposition towards advertising will have favorable attitude to accept mobile marketing. Authors (Moreau et al, 2001) argued that the technical competence of an individual affects the consumer's perception of the complexity of an innovation, therefore-H2: It is hypothesized that technically competent people will have favorable attitude to accept mobile marketing. Researcher (McGuire, 1968) established that certain types of people are susceptible to interpersonal influence and it is correlated across a range of social situations, therefore-H3: It is hypothesized that social conformists will have favorable attitude to accept mobile marketing. In another study, authors (Agarwal and Prasad, 1997) developed and tested the construct of Personal Innovativeness in the sphere of Information Technology (PITT) to identify early adaptors of innovation. They found

a significant correlation between PITT and usage intentions, therefore- H4: It is hypothesized that innovators will have favorable attitude to accept mobile marketing.

**Method**

The sample details are discussed first. Since this study explores readiness of Indian consumer for mobile marketing (m-marketing) it picks up the sample from Metro cities like Delhi, Mumbai, Calcutta, and Chennai, Bangalore, Hyderabad, Pune, and Chandigarh that account for major mobile phone users. In these densely populated cities, high traffic congestion will also help shifting buying behavior to m-purchase in the future. People in these cities have busy lifestyle and would prefer to m-purchase, if given the sound option. This study interviewed a test sample of 31 people and then 263 (total 294) consumers in major metro cities of Delhi and Bombay with highest density of m-usage. The study explored the key factors that potentially can restrict consumers from buying through this medium, and also investigated the factors that can help them switch their behavior to mobile marketing.

The instrument was improvised (checked for internal consistency) by learning from the pilot phase of 31 interviews. A 7-point Likert scale was used to measure the constructs. Cronbach's  $\alpha$  and the item-to-total correlation was brought in as orientation for the choice of items for the main study. The instrument based on existing inventories was reduced to 23 items. Construct validity was also checked. A total of 276 usable questionnaires were analyzed. To attract consumers, a mobile phone was used as a gift for the first three winners. All statistical analyses were undertaken using SPSS 11.5 for Windows. The LISREL approach was used. Hypotheses H1 to H4 were subject to a validation process. A two-step procedure was used. Model evaluation was also conducted using the maximum likelihood method.

**Results**

Table I- Test Statistics of the optimized universal model

Category	Criteria	Condition	Value
Preconditions	Plausibility		Yes
	Identifiableness	$t < \frac{1}{2} p (p+1)$	Yes
Global adjustment indices	$\chi^2/df$	$< 3.0$	3.0
	GFI	$> 0.9$	0.93
	AGFI	$> 0.9$	0.91
	SRMR	$< 0.08$	0.051
Local adjustment indices	R <sup>2</sup> of measuring equations	$> 0.3$	0.61 (Min)
	R <sup>2</sup> of structural equations	$> 0.3$	0.31 (Min)
	FR	$> 0.6$	0.823 (Min)
	DEV	$> 0.5$	0.700 (Min)
	Standard error	$< 0.14$	0.076 (Max)
	t-values	$> 1.645$	2.84 (Min)
	Fornell-Larcker-criterion	DEV $>$ squared correlation	Yes

Table I gives the results. The first confirmatory factor analysis included all of the available indicators and provided the following rating values: RMSEA = 0.047, standardized RMR = 0.051, CFI = 0.96, and GFI = 0.981. The basic criteria of plausibility and identification were met and all the global adjustment indices reached the requested values. This suggests that the model very well reflects the covariance structure. The model fit can be regarded as being excellent and the tested model can be accepted. The final solution was accepted after 12 iterations. Total affects of the model constructs are presented in Table II. The acceptance of the tested model allows for the confirmation of all the hypotheses tested. The assumptions referring to the acceptance construct conceptualized on the basis of the Theory of Reasoned action are confirmed. A positive relationship between disposition to advertising and attitude towards mobile marketing is found confirming H1. Similarly, technical knowledge affects the attitude towards m-

### *Flexible M-strategies in Emerging Markets*

marketing probably due to the confidence that knowledge brings in shaping attitudes, this confirms H2. Social conformists tend to follow the crowd, as found, confirms our hypotheses H3. Finally, innovators are more open to accept things and change their attitude, thus confirming our H4 and their “attitude toward mobile marketing” is confirmed.

Table II: Total effects of model constructs

Construct	Sum of partial effects	Total effect
Attitude towards mobile marketing	0.78	0.78
Disposition advertising	$0.36 \cdot 0.79 + 0.10$	0.38
Technical competence	$0.49 \cdot 0.05 \cdot 0.79$	0.02
Social conformism	$0.05 \cdot 0.79$	0.04
Innovators	$0.50 \cdot 0.05 \cdot 0.79$	0.02

### Discussion

This paper argued the validity of the Theory of Reasoned Action for research in the area of mobile Marketing and raises several issues relating to the m-strategy. Customer centric parameters comprising- consumer disposition to advertising, technical competence of consumers, social conformist behavior, and innovation ability were discussed and their impact on attitude towards m-strategy was studied. LISREL testing was done to find out the relationship. The tests confirmed the hypotheses and proved the model to be true. In this research, clear patterns of m-strategy that can add value to consumer’s life were identified.

### Conclusion and Implications

The results underline the importance of precisely modifying mobile marketing messages and campaigns according to consumer attitudes. The research confirms that only if mobile marketing messages are designed creatively will consumers develop a positive attitude towards mobile marketing. The focus of marketing effort should be on highlighting product features, in depicting social settings and bonding, in creating innovative elements in devising marketing programs, and in developing advertising copies that are acceptable to most consumers. Peer to peer and viral marketing strategies are also likely to be particularly effective in building social context. The m-strategy should be decided depending on the overall communication strategy for the individual product or service, taking into account the desired integration of communication efforts.

As new m-strategies are constantly being developed and appearing in the market, it is likely that innovators will continue to constitute the core consumers of m-strategies. Marketing-mix and promotions can be designed to attract the set of innovators in emerging markets. It can be inferred that social conformity is an important factor in increasing acceptance of m-marketing. Therefore, social network, peer bonding and celebrity endorsement strategies will be effective in building the market for the mobile phone acceptance.

The study has implications for US based TNC’s, as stated earlier. They can refine their m-strategy in emerging markets by understanding the drivers of consumer research to increase their bottom line in spite of the maturing US economy.

### Limitations and Directions for Future Research

Although the study draws important conclusions in developing m-strategies, the results must be interpreted with some caution. A bigger random sample size will increase the representativeness of the sample. Conducting research in countryside of India will help add to the findings of this study as the mobile penetration is increasing rapidly in the rural areas. Moreover, more research is required in emerging markets and across emerging markets. Comparing Chinese and Indian mobile markets would be an interesting next logical step in this

research. Further research is also needed on the concept of permission marketing and its applicability in emerging markets.

### References

- Agarwal, R. and Prasad, J. (1997) 'The role of innovation characteristics and perceived voluntariness in the acceptance of information technologies', *Decision Sciences*, 28(3), 557-582.
- Ajzen, I. and M. Fishbein. 1980. *Understanding Attitudes and Predicting Social Behavior*, Englewood Cliffs, New Jersey.
- Bauer, H.H., Reichardt, T., Barnes, S.J., Neumann, M.M. 2005. Driving consumer acceptance of mobile marketing: a theoretical framework and empirical study. *Journal of Electronic Commerce Research. Long Beach*, Vol. 6, Iss. 3; pg. 181, 11 pgs.
- Güttler, P. O. 2003. *Sozialpsychologie: Soziale Einstellungen, Vorurteile, Einstellungsänderungen*, Oldenbourg, Munich.
- Karjaluoto, H. & Alatalo, T. 2007. Consumers' attitudes towards and intention to participate in mobile marketing. *International Journal of Services Technology and Management*, Vol. 8 No. 2/3, pp. 155-173.
- Karjaluoto, H. et al. 2008. Factors affecting Finnish consumers' intention to receive SMS marketing: a conceptual model and empirical study. *International Journal of Electronic Business*, Vol. 6 No. 1, pp. xx-xx (in press).
- McGuire, W. J. 1968. Personality and susceptibility to social influence, in: Borgatta, E. F. and Lambert, W W. (eds.), 'Handbook of personality theory and research', Rand McNally, Chicago, IL, pp. 1130-1187.
- Moreau, P. C., D. R. Lehmann, and A. B. Markman, 2001. Entrenched Knowledge Structures and Consumer Response to New Products. *Journal of Marketing Research*, Vol. 38, No. 1: 14-30.
- Mort, G.S., and Drennan, J. 2005. Marketing m-services: Establishing a usage benefit typology related to mobile user characteristics. *Journal of Database Marketing & Customer Strategy Management. London*, Vol. 12, Iss. 4; pg. 327, 15 pgs.
- Sultan, F., and Rohm. A. 2005. The Coming Era of 'Brand in the Hand' Marketing, *MIT Sloan Management Review*, Vol.47 no.1, Reprint number 47115.