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EMERGING MARKETS: CONCEPT EVOLUTION AND BUSINESS ENVIRONMENT PARTICULARITIES

[1]Elena ȘERBAN, [2]Daniela BORISOV, [3]Răzvan Cătălin DOBREA
[1] *Academy of Economic Studies, Piata Romana, 6, Bucharest, Romania, elena.serban@yahoo.com*
[2] *Academy of Economic Studies, Piata Romana, 6, Bucharest, Romania, daniela.hincu@man.ase.ro*
[3] *Academy of Economic Studies, Piata Romana, 6, Bucharest, Romania, razvan.dobrea@man.ase.ro*

Abstract
The purpose of the article is to present the way in which the companies are doing business on the emerging markets, even if they are aware of the fact that the economy has institutional voids. The article presents some aspects of global economic climate and the investment opportunities on the emerging markets. In order to enable this process, it is important to define the concept of emerging market from the business participants point of view and also their motivation to invest on such markets.

Keywords*:* emerging markets, business strategies, multinationals, local company.

1. INTRODUCTION

The economic globalization led to the removal of the transactional barriers and intermediations and connected countries situated at great distance in the global supply chain. The emergent markets seem to be transformed in “the richest industrialized countries”, differentiated from the economies of the developed countries. The strong economic growth registered during the past years on the emergent markets represents interesting opportunities for business development and determined an increasing number of investors to channel their attention to these markets.

Defining and classifying the concept of emerging market represents the object of many studies. Though, the specialty literature reflects a great diversity of perspectives regarding the term of emerging market/economy, which justifies the concept’s complexity, subjectivity and dynamism.

During the 1970’s, “developing countries” was the term used for the markets which were considered less “developed” (through subjective or objective indicators) than the developed countries such as USA, West Europe and Japan. This term was considered insufficiently optimist and positive, thus appearing a new label for these, the one of "emerging markets”.

The economic crisis which hit the United States and Japan after 2008 offered an increased attractiveness regarding the emerging market potential as a growth source for many of the multinationals and west investors.

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The companies market entrance can imply both adapting the strategies and the products, within the institutional framework. Doing business on emerging markets must adapt the strategies at the general business framework, which can be very different compared to the one they are used from the origin market and which can generate great economic and socio-cultural barriers, in the same manner that dealing with great distances can represent an important issue.

Two methods were used in order to collect the data and information for this research paper. The first one included theoretical revising and collection data's by studying the specialty literature, newspapers, reports, magazines, articles and online sources. The second method included obtaining information and empirical data mainly from sources like local and foreign managers' interviews and also investment analysts.

2. LITERATURE REVIEW

The term of emerging in regards to markets or economies comes from the 80's, but entered in the common language in the 90's and is nowadays a controverted term for describing certain market ties (Authers, 2006). The activities carried on these developing markets are implying a high profitability potential and a varied risk due to many factors Ciocoiu (2011a).

The term was initially mentioned in 1981 and publicized by the World Bank economist – Antoine van Agtmael (2007). Sometimes the term is used as a replacement for „emerging economies", but, in fact, it is truly referring to that business phenomenon which isn't fully described or constrained to a certain economical or geographical power; these countries are considered in a transition stage between „developing countries" and „developed countries". In the specialty literature, the examples are including: Indonesia, Iran, dome South America countries, some Asia countries, most of the countries from Eastern Europe, Russia, some of the Middle East countries and certain parts of Africa. Emphasizing the fluid character of the category, the analysts Braker, Bremmer and Gordon (2008) are defining as an emergent markets „a country in which for the market, the politics matters at least as much as the economy".

The specialty researches regarding the emerging markets definition are still supplying an uncertain characterization. While the researches made by specialist like Prahalad and Hamel (1994), Haley, Tan and Haley (1998), De Soto (2000) and other teachers from prestigious universities like Harvard Business School and Yale School of Management described the activity form countries like India and China as being emergent markets, the phenomena of emergence is insufficiently understood.

The report regarding emergent economies compiled by the Center for Knowledge Societies (2008) defines as emerging economies "those world regions which are confronting with a fast informatization process amid limited or partial industrialization". Thus, the emergent markets are situated at the intersection point between

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untraditional consumer behavior, the appearance and development of new consumer groups and communities which are implementing new products, services, technological innovations and platforms.

Guy Poupet (2009), the president and general manager of BRD Romania, defined the emergent markets in an interview for The Money Channel, as those countries which are in a strong phase of activity development compared to the developed countries.

The term of emerging markets is used in some specialty papers in order to define the markets or economies which can fit in a narrow description regarding their size, growth and development rate.

The economic globalization led to the removal of the transactional barriers and intermediations and connected countries situated at great distance in the global supply chain. The emergent markets seem to be transformed in "the richest industrialized countries", differentiated from the economies of the developed countries. The emergent markets quotations became very popular within: media, foreign policies, commerce debates, investment fund analyzes, multinational's annual reports, but the term's definition is still very large, as can be seen in Table 1.

TABLE 1 - CRITERIA USED IN ORDER TO DEFINE THE EMERGING MARKETS

Category	Criteria
Poverty	Low or middle income country Low or middle standard of living Poor or outdated technology industry
Capital Market	Low capitalization of the market compared to GDP Low turnover and small number of listed products Expensive and difficult access to capital Low sovereign country rating
Growth Potential	Economic liberalization of market Privatization of government-owned properties Openness towards foreign investments Recent economic and industrial growth

Source: adapted from Khanna and Palepu (2010)

Meyer and Tran (2006) define the emerging market as being the economy with a high growth or with a high growth potential and which is characterized also by institutional voids regarding infrastructure, legislation and talent. This approach implies the market's dependence to immediate economic circumstances, transforming the emerging term into a term applicable to any country or region, which at a certain time fulfills the given criteria. Despite the different definitions of the emerging markets, the BRIC countries (Brazil, Russia, India and China) can be considered emerging due to the fact that they gather, at a global level, more than 50% of world's population and thus represent an important part of the rapid growth of the worldwide products, services and resources consumptions (O'Neille, 2011). This aspect makes interesting all the emerging markets, given them a certain importance as a growth engine for the global economy.

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3. EMERGING MARKETS MAP

The term of "rapid developing economies" is used in order to designate the emerging markets which show also rapid growth, such as: United Arab Emirates, Chile and Malaysia.

It is obvious that there are many definitions used for emerging markets – markets which represent more than 50% of the world's population. Thus, the sum of all the emerging markets represents an important part of the rapid growth of the world's consumption of goods, services and resources. This aspect makes interesting all the emerging markets, given their importance as engines of the global economic growth.

During the past years appeared new terms aiming to describe the biggest developing countries, such as BRIC, a term used for Brazil, Russia, India and China, together with terms like: BRICET (BRIC + Eastern Europe and Turkey), BRICS (BRIC + South Africa), BRICM (BRIC + Mexico), BRICK (BRIC + South Korea), Next 11 (The following eleven: Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippine, South Korea, Turkey and Vietnam) and CIVETS (Columbia, Indonesia, Vietnam, Egypt, Turkey and South Africa). These countries do not share any common agenda, but some experts believe that they are playing an ever increasing role in the global economic growth and global political strategies. It is difficult to compile an exact list of the emerging markets. The best guides used as information sources for the investors are: ISI Emerging Markets and The Economist or consultancy companies and complex indexes evaluators like Morgan Stanley Capital International. These sources are well informed, but given the nature of the supplied data, that of information regarding investing opportunities, are leading at two potential issues. The first one is given by the data historical character, meaning the markets can remain in certain indexes for continuity, although they surpassed the emerging market phase in the meantime, becoming developed markets. Examples in this regard may include countries like South Korea (classified as developed country according to FTSE) and Taiwan. The second issue is given by the simplification of some composite indexes; small countries or countries with limited market liquidity are seldom not considered as emerging markets by comparison with bigger neighbors (from geographical or demographical point of view) (FTSE, 2011). Another classification used by certain authors is BEM (big emerging markets) which is alphabetically formed by the following countries: Brazil, China, Egypt, India, Indonesia, Mexico, Philippine, Poland, Russia, South Africa, South Korea and Turkey (Garten, 1997). The present paper is proposing to exemplify this diversity classification of emerging markets according to the vision of many international organisms as a result of using different composite indexes. This aspect is emphasized by using the graphical representation within Table 2 regarding the most known classifications. Thus, we reached the conclusion that there are only 3 countries which appear always, on every list (Next 11, BRIC, CIVETS, FTSE, MSCI, The Economist, S & P, Dow Jones). These are Indonesia, Turkey and Egypt. Starting 25 January 2011, Egypt has been affected by protests and is situated now under a transition process. There are also many countries which appear only on

one list. These are: Iran (Next 11); Hong Kong, Singapore, Saudi Arabia (The Economist); Bahrain, Bulgaria, Estonia, Jordan, Kuwait, Latvia, Lithuania, Mauritius, Oman, Qatar, Romania, Slovakia and Sri Lanka (Dow Jones).

TABLE 2 - EMERGING MARKETS BY ANALYSIS GROUPS

Country	Next-11/BRIC	CIVETS	FTSE	MSCI	THE ECONOMIST	S&P	DOW JONES	EAGLEs /Nest
Afghanistan							X	X
Argentina							X	X
Bahrain							X	
Bangladesh	X							X
Brazil	X		X	X	X	X	X	X
Bulgaria							X	
Chile			X	X	X	X	X	
China	X		X	X	X	X	X	X
Colombia		X	X	X	X	X	X	X
Czech Republic			X	X	X	X	X	
Egypt	X	X	X	X	X	X	X	X
Estonia							X	
Hong Kong					X			
Hungary			X	X	X	X	X	
India	X		X	X	X	X	X	X
Indonesia	X	X	X	X	X	X	X	X
Iran	X							
Jordan							X	
Kuwait							X	
Latvia							X	
Lithuania							X	
Malaysia			X	X	X	X	X	X
Mauritius							X	
Mexico	X		X	X	X	X	X	X
Morocco			X	X	X	X	X	
Nigeria	X							X
Oman							X	
Pakistan	X		X				X	X
Peru			X	X	X	X	X	X
Philippines	X		X	X	X	X	X	X
Poland			X	X	X	X	X	X
Qatar							X	
Romania							X	
Russia	X	X	X	X	X	X	X	X
Saudi Arabia					X			
Singapore					X			
Slovakia							X	
South Africa		X	X	X	X	X	X	X
Sri Lanka							X	
South Korea	X			X	X			X
Taiwan			X	X	X	X		X
Thailand			X	X	X	X	X	X
Turkey	X	X	X	X	X	X	X	X
UAE			X				X	
Vietnam	X	X						X

Source: http://enXwikipediaXorg/wiki/Emerging_markets

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Without trying to come with a new list of emerging markets, this research paper us starting from the hypothesis that the emerging markets are met in the majority of the regions in which can be found countries that are confronting with an economic transformation and large scale change.

4. EMERGING MARKETS - BUSINESSES PARTICULARITIES

The economies of certain countries was first classified as emerging in 1986 by the World Bank International Financial Investment (IFC) in theirs advisory reports funds for institutional investors. The next year, Templeton started the first retail emerging markets fund, the closed-end Emerging Markets Fund. Of course, there were earlier investment funds investing in emerging countries. The United Kingdom's Alliance Trust, established in 1888, invested in a primitive and emerging market: America.

An universally accepted definition of "emerging market" has not existed for very long, and "emerging" doesn't necessarily mean underdeveloped. Two tendencies are characterizing the emergent markets: there are increasingly free markets and continue privatization of government owned business.

Other conditions that are developing in the emerging markets are related to the legislative progress, independent judiciary system, management regarding the country debt and taxes reforms.

Dr. Joseph Mark Mobius (1996), a global investor and emerging markets fund manager, considered to be one of the leaders in the industry) is adding to that previous condition the level of how practical and sustainable are the country investment to the business community, and the predominant tone and direction of economic development.

A thorough analysis can be obtained by analyzing the data from Table 3 regarding GDP evolution during the past years. This demonstrates the lower share of the developed countries in the favor of the emerging markets. An important growth was conducted by the emerging markets, aspect which motivates the investors to develop new businesses on these markets, many investors counting on important growth of these markets in the next 30 years.

In order to elaborate the analysis from Table 3 was used the GDP (current prices, $). The GDP values in USD are covered from the national currency using an official exchange rate. For some countries, which did not had an official exchange rate able to correctly reflect the currency transactions; an alternative conversion factor was used. (World Bank, 2010).

The GDP's evolution in 2010 compared to 2000 reveals a doubling of global GDP, amid the 15.31% share decrease of the developed countries, in 2010 compared to 2000. An important part of de global GDP doubling was conducted by the BRIC countries, considered to be emerging markets which registered a 9.83% increase in GDP share in 2010, compared to 2000. The long time forecasts of the economists Pacek

(2007), O'Neill (2010), Agtmael (2007) are mentioning the preservation of this growth trend of the emerging markets, implying that their share will outpace the one of the developed countries in the next 30 years. This aspect is emphasizing the importance of the emerging markets investments and their investment potential, the more important role which will be played by them in the coming economic, financial and political global strategies. The globalization brings the multinational companies (MCS), their products and services, in ever further corners of the world. The increased number of possible clients from the emerging markets leads to an increase of the demand for mass consumption goods only if the right products can be actually delivered at the right place. Though, the multinational companies are confronting with the business environment from the emerging markets, which is totally different by the one they are familiarized with in their own country. The business environment is different also from one emerging market to another. The main attraction point of the emerging markets is given by the high economic growth and the high expectations regarding rapid increase of the demand for goods.

TABLE 3 - GDP YEARLY EVOLUTION IN 2010 COMPARED TO 2000

Country Name	GDP (current trillion U$$) of 2000	GDP (current trillion U$$) of 2010	% from GDP world 2000	% from GDP world 2010	GPD growth 2010-2000
China	1,20	5,93	3,72%	9,39%	5,67%
Brazil	0,64	2,09	2,00%	3,31%	1,31%
India	0,46	1,73	1,43%	2,74%	1,31%
Russian Federation	0,26	1,48	0,81%	2,34%	1,54%
BRIC	**2,56**	**11,22**	**7,95%**	**17,78%**	**9,83%**
United States	9,90	14,59	30,70%	23,11%	- 7,60%
Japan	4,67	5,46	14,48%	8,65%	- 5,83%
Germany	1,89	3,28	5,85%	5,20%	- 0,65%
France	1,33	2,56	4,11%	4,06%	- 0,06%
United Kingdom	1,48	2,25	4,58%	3,56%	- 1,02%
Italy	1,10	2,05	3,40%	3,25%	- 0,15%
Developed world	**20,35**	**30,19**	**63,13%**	**47,82%**	**- 15,31%**
GDP (current trillion US$)	**32,24**	**63,12**			

Source: adapted from World Bank (2012)

The executives and top management teams from the big corporations are recognizing that the globalization is the greatest challenge they faced during the past decades. A difficult decision was the one regarding developing success strategies on the emerging markets, given the difficulty of choosing the right country to invest in and the lack of specialized mediators, of adequate legislation and of needed mechanisms in order to perform the activity in similar conditions like in developed markets, all of these being the results of institutional

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voids. The term of institutional voids was first attributed by a Khanna and Palepu (1997) to those economic mechanisms which are not allowing the application of global strategies.

In the developing countries the infrastructure is poor or even absent, the companies cannot find qualified firms able to perform market researches or to offer information about viable consumers' preferences, in order to enable them to enter onto the market with tailored products which can determine people to purchase more. On the emerging markets there are few logistic services suppliers which can enable the manufacturers to reduce the costs or to permit the raw materials and finished goods transport. There are lacking the recruitment agencies which should evaluate the needed personnel, which is generating increased costs for companies as they have to carry out also interviews in order to choose the most qualified employees.

The companies can reduce costs by creating manufacturing facilities and service centers in these areas, where the qualified work force and skilled managers are relatively cheap. The companies within the developing countries and the transnational companies entered in North America and Europe with strategies aiming at minimizing the cost using new business models. Thus, the western companies were forced to invest more on the emerging markets and promoted a different type of innovations than they used on the mature markets. In the case that the western societies are not developing strategies regarding the involvement with developing countries, these are most likely not to remain competitive. Despite the barriers represented by charges, internet and cable television coverage, rapid improvement of the infrastructure, the emerging markets do not offer similar business conditions such as the developed markets, the market infrastructure being much different from one country to another Ciocoiu (2011b).

Generally, the developed markets have many intermediates for the business activities, whilst on the emerging markets these middlemen are poorly qualified, inefficient or totally absent. Due to the fact that the mediators services are either not available or either not sophisticated enough, the companies cannot relocate easily based on the strategies applied in their origin country. The successful companies on emerging markets worked especially around the institutional voids by developing new strategies aiming to a better approach of these countries and tailored their acting manner as to fit the institutional context of every country. The companies which have the capacity to understand the institutional differences between countries are the ones that choose the best developing ways, establishing key strategies and make business in different domains on the emerging markets.

The companies which are systematically choosing new markets usually use tools to evaluate country portfolio and political risk, focused mainly on the potential profits from the developed countries. In December 2004, when the McKinsey Global study interviewed 9750 managers regarding their priorities and preoccupations, 61% of them stated that the market's size and growth forecasts were at the basis of their decisions to invest in new countries, while 17% of them considered that the key factor of investment was political and economic

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stability and 13% mentioned the structural conditions (so the institutional framework) mattered the most (Khanna, Palepu and Sinha, 2005).

TABLE 4 - COMPARISON OF SOME COSTS WITHIN THE EMERGING MARKETS AND THE DEVELOPED MARKETS

Country	Business registration procedure (number)	Time needed to start a business (days)	Time needed to build a warehouse (days)	Time needed to complete a contract (days)	Time needed to register a property (days)	Time needed to calculate and pay taxes (hours)
CEE						
Estonia	5	148	425	18	7	85
Latvia	4	205	369	18	16	290
Poland	6	301	830	152	32	296
Czech Republic	9	120	611	25	20	557
Slovakia	6	286	565	17	18	231
Hungary	4	102	391	17	4	277
Romania	***6***	***287***	***512***	***26***	***14***	***222***
Bulgaria	4	120	564	15	18	500
Slovenia	2	199	1290	110	6	260
Croatia	6	317	561	104	7	196
Bosnia-Herzegovina	12	181	599	33	40	422
Serbia	7	279	635	11	13	276
Kosovo	10	301	420	33	58	164
Montenegro	6	267	545	71	10	372
Macedonia	3	117	370	40	3	119
BRIC						
Brazil	13	469	731	39	119	260
Russia	9	423	281	43	30	290
India	12	227	1420	44	29	254
China	14	311	406	29	38	398
Developed countries						
Australia	2	147	395	5	2	109
Canada	1	73	570	17	5	131
Germany	9	97	349	40	15	221
Japan	8	143	360	14	23	330
Norway	5	250	280	3	7	87
U.K.	6	99	399	29	13	110
U.S.A.	6	26	300	12	6	187

Source: adapted after World Bank (2012)

The companies are grounding their strategies on the statistics offered by the composite indexes in order to choose the new markets. Neither one of these composite indexes cannot guarantee the profit. They can only offer a guiding idea of the perceptions of some business people and specialists in regards to a certain market. The multinationals must choose those indicators which are representative for the structure, the type and the services needed to penetrate the market segment.

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By analyzing the figures within Table 4, we can observe the theoretical institutional advantage in the case of Romania, compared with other developed countries. Romania outpaces in regards to the figures needed for business registration, of only 6 days, countries like Japan (8 days) and Germany (9 days). Regarding the time needed to complete a contract, Romania is surpassing not only developed countries like United Kingdom, but also all the countries within the BRIC group. Also, it has a great advantage towards Germany, Japan and BRIC countries regarding the time needed to register a property.

Analyzing the statistical data available on regards the hours needed to calculate, prepare and pay the taxes and fees, Romania, which is considered by MSCI a frontier economy, is again outpacing BRIC countries and Japan, being equal to Germany.

All these interpretations are demonstrating the unstable character of the composite indexes and of the investment reports, which may lead to judgment errors and poor evaluation of an economy. It is overlooked the advantage provided by exploiting certain institutional voids and usage of some low price resources.

The main researches are focused on changing the companies' traditional strategies and implementing new strategies suited to the emerging markets and based on revised business plans, as they are defined by the management specialists and consultants. The research revealed the fact that a realistic approach should consider many and varied forces, like: clients and suppliers, economic environment, national and international regulations, organizational history.

Ingram, LaForge and Leigh (2002) are suggesting that an efficient sales strategy should analyze the client's fragmentation and prioritization through different objectives for relations and sales models and multi-channel approach of the sales process. Additionally, the market adjustment elements represent a condition for establishing and successfully implement the sales strategy. It is naive to assume that in our modern and complex society, the needs are the same for everybody and all the consumers desire the same product. Thus, it is wrong to believe that all the clients represent equal opportunities for the firm (Solomon, Marshall and Stuart, 2006). Ingram, LaForge and Leigh (2002) stated that: "a strategy represents the need to translate the target market's strategies into the client level sales strategies and introducing them onto the market".

The net result is that the sales strategy needs to ensure the interaction with the clients and to have a major impact over a sales organization management. Making the Client the center of every strategy implies the company's need to reevaluate the strategic role and value of the sales function and underlines the importance of developing a strategy aiming to lead the client interaction process (Ingram, LaForge and Leigh, 2002).

Observing the occurrence of these emerging economies is both important and interesting for the investors, but is not enough in order to conduct to an actual investment. The companies must understand and respond

to the growth of the emerging markets – the institutional voids which are embodied into their structure – as the success is based on the tailored and versatile strategies. If filling institutional voids represents an entrepreneur's opportunity, creating a company or developing a multinational in an emerging market needs the adjusted strategies according to the market's institutional framework.

The structured view of the emerging market has many implications for local companies, which are trying to penetrate the local market and evolve into multinationals. As a first step, all these companies must analyze the institutional framework of the developing market in which they are operating or investing. The emerging markets have voids regarding products, workforce and capital market. Each emerging market has its own void pattern. The politics, history and culture converge and build together the nature and weakness of the institutional voids. The companies must understand the role of these forces in the institutional context.

The process of identifying the institutional voids of an emerging market is the source of opportunities for the investors willing to contribute at their filling. Due to the fact that it has been demonstrated that the institutional voids represent in fact operational costs for the companies which are investing on an emerging market, their filling represents added value. The companies which are performing on the developed markets are basing on a large number of mediators, many being represented by private entities of the activity sectors.

In creating important business, aiming to fill the institutional voids, both foreign and local companies are based on the experience of some auditors and advisers, branches and dealers, mediators, regulators and arbiters. All these are helping the companies in completing transactions aiming the product, capital and workforce development.

The taxonomy of institutional framework is based on six segments with the following functions within the developed economies (Khanna and Palepu, 2010):

1. Credibility guarantees – third parties which can certificate the claims towards suppliers or clients.
2. Research and consultancy agents – collect and analyze information about producers or consumers, onto a given market.
3. Distributors and logistics operators – offer low cost consultancy and other value added services, for suppliers and consumers, through expertise and experience in local economy.
4. Transaction mediators – offer a general platform for information, goods and services exchange and support for completing transactions.
5. Regulators and other public institutions – create and sustain the proper regulations and general policies.
6. Arbiters organizations – solve the legal debates and private contracts

In order to ensure the success of an investor at the debut on an emerging market, a proper strategy must respond to certain questions which are the key elements in evaluating an emerging market (Table 5).

TABLE 5 - EMERGING MARKET EVALUATION

Opportunity definition	Which is the investor's opportunity on this emerging market?
Market segmentation	Which are the right segments for investing on this market? Which are the investor's target segments? Which are the specific product characteristics to target?
Establishing institutional voids	Which are the institutional voids from the emerging market (and from the targeted segment)? How can be transformed the institutional voids on investments opportunities? Which of the institutional infrastructures, identified as critic in the origin economy, are missing from the emerging market? How can this institutional gap affect the investor's ability to have access to the targeted market segment?

Source: adapted from Khanna and Palepu (2010), p 4

In order to address the institutional voids on a market, the companies must first perform an evaluation of the local framework which should include identifying those institutional voids, evaluating the importance of the targeted market segment compared to the whole emerging market. The various strategies developed as response to the institutional voids are positioning the multinational companies and local companies on different market segments. The emerging markets segments are different not only by income and price, but also by consumer's needs, taste and psychological characteristics. The positioning strategies on a certain market segment need distinguished capacities and knowledge, besides the price differencing. The companies which are active on the developed markets are based on a large variety of mediators, many being private entities of the activity sectors. Most of them are lacking or are poorly represented on the emerging markets. On an emerging market, the products and services are classified into the following segments: global, middle emerging, local and inferior; they are delimited by the combination of three variables: price, quality and characteristics, as it can be seen in Table 6.

TABLE 6 - MARKET SEGMENTS IN EMERGING MARKETS

Segment	Global	Middle emerging class		Local	Bottom
Price	Global	Global	Local	Local	Lowest
Quality	Global	Global	Global	Local	Lowest
Characteristics	Global	Local	Local	Local	Fewest
Competitive advantage	Multinationals	Battleground	Battleground	Domestic	Domestic

Source: Khanna and Palepu, (2010)

The global segment is formed by those consumers which are willing to pay a global price for products with similar characteristics and qualities like those on the developed markets.

The middle emerging class is represented by that consumer segment which wants those products and services with similar price, quality and characteristics which are the result of combining local and global ones.

In most emerging markets, this class is also the largest one. This segment is formed by those products/services which have global price and quality, but local characteristics according to local preferences.

The local segment is characterized by those products and services of global quality or close to it, but with local prices and characteristics. The consumers within this segment are happy with quality products, prices and characteristics.

The inferior segment – is formed by those consumers which are affording only the cheapest products/services, even if these also have low quality and few characteristics.

Understanding these segments can help both the multinational companies as the local ones in regards to the development of the most adequate business plan and developing strategies for the emerging markets. Before the liberalization of the emerging markets, the local companies were the leaders of all segments as they were also the sole supplier of the respective products or services within the area of the emerging market. Thus, the local companies represent the most important competitor for the multinationals, having a strong competitive advantage due to the products adapted to the requirements of the local consumers and also by their ability to make business around institutional voids.

On the emerging markets, the multinationals from the developed economies are building new strategies based on the basic capacities: capital access, resources, technology and worldwide experience, but exploiting these capacity by their adaptation to different constrained caused by the limitations of the global market segments.

This mediating taxonomy on an emerging market helps the managers and companies to identify and invest in institutional voids. Also, they raise certain questions as they start exploiting these opportunities.

The most frequent questions are related to: choosing the right market segment for their investments, how to adapt the investment in regards to the local framework, how to extend the related mediating services and increase the value of the mediator link, to forecast the potential opposition in the try to fill this institutional void.

The institutional voids can prevent the multinational companies with the headquarters situated in the developed countries, to reproduce their business model on the emerging markets and can block the ability of the local companies to develop and compete against them. The institutional voids are generating a set of common strategies for foreign and local companies, which eventually lead to different sets of options given their different origin and competitive advantage.

5. CONCLUSIONS

The strong economic growth registered during the past years on the emerging markets represents interesting opportunities for business development and determined many investors to focus more towards these markets.

The researches regarding defining the emerging markets are still offering an unclear characterization. Defining and classifying the emerging market concept within the specific framework made the scope of many studies. Though, the specialty literature is reflecting a great diversity of perspectives regarding the content of emerging market/economy, a fact which can justify the concept's complexity, subjectivity and dynamism.

The companies must understand and respond to the development of the emerging market with versatile strategies, meant to ensure the functional success in an economic framework marked by persistent institutional voids.

The multinational and local companies must reconsider the targeted market segment for their products/services. The strategies based on low prices, few characteristics and high volumes – based of workforce and resources at low price, or the one based on high quality products, high prices and low volumes, are not ensuring long time profitability or market share. The companies strategies, either multinationals from developed countries, either titans from emerging markets, must be tailored according to the preferences of the middle class with a profitability close to almost zero, but which can deliver long time profitability and sustainable growth.

The product's segment must be those clients which cannot afford the cheapest luxury products, but whose needs are partially found on the cheapest products offered by the market.

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