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International Marketing

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BRIEF CONTENTS

<i>List of Tables, Figures and Maps</i>	xxiv
<i>About the Authors</i>	xxx
<i>Preface</i>	xxxii
<i>Acknowledgements</i>	xxxvi
<i>Online Resources</i>	xxxviii
Part I Essentials of International Marketing	1
1 Introduction to International Marketing	3
2 Culture in International Marketing	36
3 Global Trade and Integration	65
4 Country Selection and Entry Strategies	106
5 International Marketing Planning, Organizing, and Control	141
Part II International Markets and Market Research	175
6 Markets and Segmentation in an International Context	177
7 International Positioning	209
8 Market Research in the International Environment	243
Part III International Product Marketing	275
9 International Product and Brand Marketing	277
10 International Product Standardization and Adaptation	311
Part IV International Pricing and Finance	347
11 International Pricing	349
12 International Finance and Pricing Implications	385
Part V International Place or Distribution	421
13 International Marketing Channel Management	423
14 International Distribution: Exporting and Retailing	455

Part VI International Promotion	487
15 Globally Integrated Marketing Communications	489
16 International Sales Promotions and Public Relations	534
<i>Notes</i>	563
<i>Bibliography</i>	579
<i>Glossary</i>	607
<i>Index</i>	621

6

MARKETS AND SEGMENTATION IN AN INTERNATIONAL CONTEXT

LEARNING OBJECTIVES

After reading and studying this chapter, you should be able to answer the following questions:

1. What is market segmentation and how does international market segmentation differ from domestic market segmentation?
2. What are the primary factors used to identify international consumer and business-to-business market segments?
3. Which consumer segments can be found across different countries to be targeted with standardized products and services?
4. How can the marketing team use regional and national segmentation methods to improve a company's global marketing program?
5. How to assess the market potential of a segment?

IN THIS CHAPTER

Opening Vignette: Musical Segmentation

OVERVIEW

Markets and Segmentation

International Market Segmentation

International Consumer Market Segments

Global Consumers and Internet Usage Segmentation

Green Marketing and Sustainability-Oriented Segments

Usage Segmentation

International Business-to-Business Market Segmentation

Regional and National Segmentation

Segmentation and the Bottom-of-the-Pyramid

A Market Segment Analysis

Ethical Issues in International Segmentation

Strategic Implications

Tactical Implications

Operational Implications

Terms

Review Questions

Discussion Questions

Analytical and Internet Exercises

Case 6. UNIQLO: Apparel and Segmentation

MUSICAL SEGMENTATION

One constant that may be found anywhere on the planet is music. The forms vary, the instruments are similar in some cultures and quite different in others, but songs often feature universal themes and emotions, regardless of where they are sung. International marketers are likely to be involved with music in one way or another as products move across international boundaries.

Music reflects culture, and culture changes music. More traditional musical forms have roots that extend far back into history, no matter the home country. In Asia, common traditional instruments include versions of the flute and stringed instruments. The *ruan*, a four-stringed fretted instrument used for opera and other performances, dates back more than 1,600 years in China. The spike fiddle is widespread in the Gobi areas of central

Mongolia and among eastern Mongols; the *khuuchir* and the *dorvon chikhtei khuur* are a two- and a four-stringed spike fiddle, respectively.

In Saudi Arabia and other Middle Eastern countries, the flute-like *ney* (or *nay*) accompanies folk songs; the *bandir* (or *bendir*), a type of small drum, keeps rhythm; and the *qanan*, a stringed instrument, enriches the unique sound. African drums create distinctive rhythms that accompany longstanding musical and cultural traditions.

Over time, musical instruments move across national boundaries, as do musical formats. The piano, violin, oboe, harp, trumpet, and numerous other instruments shape classical music sounds across many cultures. Pioneering classical music composers have emerged from a variety of countries, and the music shared between those nations creates cultural contacts and closeness.

Today, forms of music span the globe, moving more quickly due to communication advancements that make it possible to watch performances as they take place in other nations. Hip-hop artists may be found around the world. Numerous Country and Western fans reside in Japan. Music connects with language, fashion, cultural change, and other elements of local, regional, national, and international environments.

A variety of international marketing opportunities emerge from music. They include the exporting of musical instruments; the sale of music on the Internet, iPod, CD, music video, or on the radio; performances by musical artists touring the globe complete with sponsorships; and the musical backgrounds that accompany advertisements and commercials. Marketing professionals moving into new countries will quickly be exposed to local musical tastes. A quick review of the most popular YouTube artists in the location is a great place to start.



CONSUMERS AROUND the world enjoy music.

(Continued)

(Continued)

Musical acts appeal to consumers across the globe. In 2016, top performing artists who have conducted successful worldwide tours include Adele, Coldplay, Stone Roses (English band), Madonna, The Rolling Stones, and Beyoncé (McIntyre, 2016). Many regions or countries have unique stars for their market. Consider the case of Ronghao Li, a Chinese popstar winner of multiple Golden Melody Awards (the Taiwanese equivalent of the Grammys focused on the region). His popular hit, "King of Comedy" has over 46 million views on YouTube, and he is a huge star in the region with a long series of hit songs since his start in 2013. For his most recent tour, Warner Music Taiwan partnered with Digital Domain to capture the tour in VR for usage in just Greater China.

To effectively incorporate music into an international marketing program, the marketing team examines the cultural context in which music is performed, including its connections to religious life, festivals, popular culture, and other events. Musical preferences link to any number of potential market segments, including distinctions by age, gender, income level, religious affiliation, culture, counterculture, and others. Just as the numbers of songs and musical styles are broad, the international marketing possibilities created by music are nearly as endless.

Questions for Students

1. Do you believe music shapes cultural movements, accompanies cultural movements, or merely reflects cultural movements?
2. What types of market segments are associated with various musical forms?
3. What role does music play in international marketing that may be different from marketing in only one country?

OVERVIEW

Part I of this book explained the essentials of international marketing. A basic framework was established, economic systems and modes of entry were examined, and the nature of global trade and integration was presented. These factors help form the basis for carrying out all other strategic international marketing functions.

Part II concentrates on international markets. This chapter analyses markets and the segmentation process. Chapter 7 analyses strategic international positioning. Chapter 8 reviews market research, which helps the company's leadership understand the context present in a new country of entry. The elements presented in these three chapters combine to assist in an orderly analysis of potential target markets along with the characteristics of persons living in those regions.

Market segmentation represents one key component of success in an international context. In order to successfully target consumers, marketing managers identify groups of people willing to purchase the company's goods and services and who have the means to do so. The market segmentation process begins with answers to basic questions: What do people want? What do people need? Can they afford these items? Are there consumers with similar characteristics that can be targeted with the same products or services? What influences their cravings and choices? The study of the marketing potential in any country relies on an understanding of

the cultural context, the type of economy that exists, and other general circumstances within that nation. These factors make it possible for the marketing team to identify the company's target market segments and the characteristics of buyers in those market segments.

The forces that affect market segmentation processes include a number of the factors examined in this chapter, as presented in Figure 6.1. The intricacies of international market segmentation programs are explored. Finally, the chapter identifies the ethical issues that arise in those circumstances.

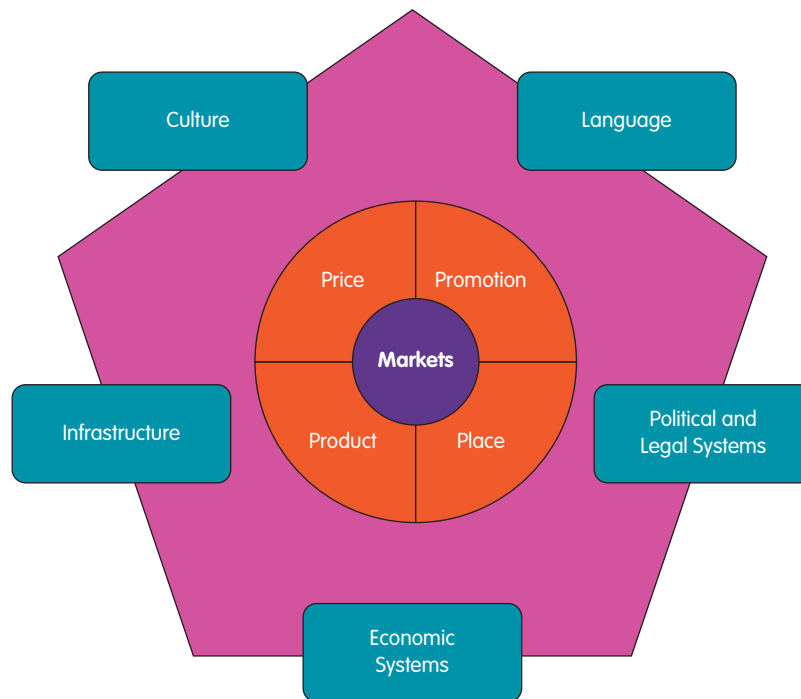


FIGURE 6.1 The International Marketing Context

LEARNING OBJECTIVE #1:

What is market segmentation and how does international market segmentation differ from domestic market segmentation?

MARKETS AND SEGMENTATION

A **market** consists of people with wants and needs, money to spend, and the willingness to spend money on those wants and needs. International markets vary due to several factors. Marketers consider these factors when developing international segmentation approaches. Companies typically sell to two major groups: consumers and other businesses. Both groups experience needs for products in the areas shown in Table 6.1. Governments make up a third major group, which is similar to but unique from businesses.

market: people with wants and needs, money to spend, and the willingness to spend money on those wants and needs

TABLE 6.1 Consumer and Business Market Needs

Consumer Markets	Business Markets
Convenience	Renewable
Shopping	Nonrenewable
Nondurable	
Durable	
Specialty	Finished Goods

In addition, both consumers and businesses want or need various services. Services include the items summarized in Table 6.2.

TABLE 6.2 Types of Services

Services to Consumers	Services to Businesses
Personal	Legal
Financial	Financial
Sundry and Luxury	Rental
	Maintenance
	Specialty

market segmentation:

a process that involves identifying specific groups based on their needs, attitudes, and interests; the grouping of consumers based on their needs, attitudes, and interests

International market segmentation:

the process of identifying specific segments—whether they are country groups, other businesses, or individual consumer groups—of potential customers with homogeneous attributes across different countries, or within a single foreign market, that exhibit similar responses to a company's marketing mix

STP approach:

segmentation, targeting, and product positioning processes

Identifying wants and needs of specific sets of groups, including consumers and businesses, is one of a company's primary objectives. **Market segmentation** consists of identifying every viable potential customer group. **International market segmentation** is the process of identifying specific segments—whether they are country groups, other businesses, or individual consumer groups—of potential customers with homogeneous attributes across different countries, or within a single foreign market, that exhibit similar responses to a company's marketing mix. When identifying market segments, marketers seek to understand the cultural factors that exist across marketplaces, as well as all of the other forces in the international marketing context.

THE STP APPROACH

A key marketing activity in both domestic and international markets will be identifying distinct groups of customers that may be interested in a product or service. A company can then create the item and brand that provides customers with a distinct choice in the marketplace. Methods to reach those consumers, based on their unique characteristics, can then be selected.

The core system used in this process is the **STP approach**, or segmentation, targeting, and positioning. *Segmentation* consists of identifying every viable potential customer group that can be reached through the marketing of a product and/or service. Most companies cannot create enough products, services, distribution channels, and marketing methods to reach every available market segment. Consequently, the *targeting* component of the STP approach involves selecting the market segments the firm will be best able to target or reach. *Positioning* involves the creation of perceptions in the minds of consumers about the nature of a company, its brands, and its products and services.

STP helps the marketing team meet the goal of optimizing sales and profits by reaching the proper audience, both in terms of products served and in the methods used to contact those individuals or companies (Kotler and Armstrong, 2007). For example, the British footwear company Dr. Martens segments consumers based on footwear needs, targeting those attracted to edgy fashion. Footwear positioning emerges from four pillars: creativity, music, fashion, and self-expression (Rosandic, 2011).

LEARNING OBJECTIVE #2:

What are the primary factors used to identify international consumer and business-to-business market segments?

INTERNATIONAL MARKET SEGMENTATION

A company or brand's overall market consists of the cumulative total of all persons and organizations with needs or wants that can be satisfied by certain products or services. To more effectively serve such needs, marketers specify various target groups so that the product itself and/or the supporting messages can be tailored to each group. A **market segment** consists of a set of businesses or a group of individual consumers with distinct characteristics (Clow and Baack, 2012). For a market segment to be viable in the eyes of the marketing team, it must pass four tests:

market segment: a set of businesses or a group of individual consumers with distinct characteristics

1. Those within the segment should be homogenous or have similar characteristics.
2. The segment must differ from other groups and the population as a whole.
3. Sufficient demand must be present to make the segment financially feasible.
4. Methods to reach the market must exist, both in terms of physical delivery of the item and in terms of the marketing messages that would entice customers to make purchases.

International marketers spend a great deal of time and money identifying viable market segments (Steenkamp and Ter Hofstede, 2002). Market segmentation processes apply to consumer groups and to the business-to-business arena, in domestic and international markets. The first step in international segmentation is often segmenting and selecting country markets. Figure 6.2 lists the steps of international market segmentation.

Country markets will be selected based on several assumptions. First, company officials discern the degree of heterogeneity *between* countries. The greater the differences, the less likely a standardized approach can be featured. Second, the level of homogeneity *within* a country becomes important, as it suggests an identifiable target market. Third, marketers focus on macro-level cultural differences in order to understand how a good or service should be modified for a region. Fourth, a cluster of similar national markets makes it possible to expand into several countries. In addition other internal factors such as a company's experience with that country or similar countries, as well as the perceptions managers have regarding the degree of similarity to the country of origin. Marketing professionals also look for the emergence of segments that will transcend national boundaries. They examine the existence of within-country differences. They may also seek out smaller micro markets within and between countries.



FIGURE 6.2 Hierarchy of Steps in International Market Segmentation for a Firm with an Existing Product/Service.

Source: Adapted from Wind and Douglas (1972).

INTERNATIONAL CONSUMER MARKET SEGMENTS

When consumers or end users are the primary target market for a firm's offerings, the consumer market segmentation approaches listed in Table 6.3 are the most common. These groups or categories may be combined in international marketing efforts.

TABLE 6.3 Consumer Market Segmenting Variables

Demographics
Gender
Age
Income
Education
Ethnicity
Psychographics
Geographic Area
Geodemographic Segmentation
Consumer Types
Benefit Segmentation
Usage Segmentation

DEMOGRAPHICS

Demographics are population characteristics. Market segmentation programs often employ demographic variables, especially gender, age, income, education, and ethnicity. International companies create goods and services to meet the needs of these groups and market to them.

Gender

Previous marketing experience indicates that males and females purchase different products, buy similar products with different features (e.g., hair care items), desire products for dissimilar reasons, and purchase the same products after being influenced by different kinds of appeals through diverse media.

In the international arena, genders roles vary greatly. Males and females often enact divergent roles, dependent upon a local culture, including which person in the family

is the primary shopper. In many cultures, females may play submissive roles within the family structure. These cultural norms, in turn, influence purchasing processes as well as the items sold.

Cultural concepts regarding attractiveness affect the types of products desired in a nation or region. In some cultures, women shave their legs and armpits, while in others they do not. Consequently, target markets for razors and shaving devices vary depending on the dominant culture. In some cases, subcultures within the country may display the consumption pattern needed to indicate a potential market segment.

Gender roles within a culture also affect the delivery of services. Purchases of life insurance and other forms of financial protection may vary when cultural norms dictate that all inheritances go to male family members. Citizens more frequently utilize child-care services in cultures where greater numbers of females work outside the home. Personal services, including hair care, beautification, and maid services, will be influenced by the dominant culture of the country or region.

Age

Many marketing efforts target persons of a certain age, including children, young adults, middle-age adults, and senior citizens. Age may be combined with another demographic, such as gender, to identify market segments. Senior men and women and their younger counterparts often purchase different items.

Age dictates adjustments to marketing efforts in various ways, due to local circumstances. For example, many populations experience shorter life expectancies, thereby changing the concepts of “old” or “senior citizen.” Also, children in affluent, most-developed nations are more likely to have a greater number of wants and needs as compared to those in less- or least-developed nations.

In many collectivist cultures, grandparents play substantial roles in raising children. Consequently, messages targeting parents in one country may be directed at grandparents in others. Also, advanced age may be highly revered in some cultures and perceived as a disadvantage in others. The emphasis on maintaining a youthful appearance will be affected by these circumstances, which in turn affects the products to be sold and the methods used to promote them.

Age affects other purchasing patterns. Younger shoppers in some countries might be more inclined to purchase products from other nations, whereas older consumers resist foreign products. Younger consumers may be more likely to spend rather than save earnings, especially in newly industrialized countries and other emerging markets.

Income

Marketers often use individual or family income as a demographic segmentation variable. Lower-income households primarily purchase necessities, such as food, clothing, and housing needs. In poorer countries, even necessities may be difficult to obtain. As income increases, consumers are able to enjoy some sundry items including vacations, automobiles, more fashionable clothes, and meals at medium-priced or high-end restaurants. In less-developed countries, a trip to a Starbucks coffeehouse can be viewed as a medium-priced, high-status purchase, and Starbucks actively reinforces that image. At the extreme, producers of luxury items such as yachts and private planes target the wealthy.

The distribution of wealth within a nation or region largely dictates the use of income segmentation. In bottom-of-the-pyramid countries, the majority of consumers earn

wages so small that companies need to adjust the prices and packages sizes of necessities, such as cleaning products or personal hygiene items. In many countries large segments of consumers earn nearly equal amounts of money, often with a small wealthy upper class.

Economic conditions affect incomes. Recessions lead to families cutting back on discretionary spending. The marketing team examines economic circumstances prior to launching an effort in a new host country. During the economic downturn after 2008, research indicates that U.S. companies that increased spending on marketing relative to market size had a 4.3% return on capital whereas those companies that cut marketing spending lost 0.8%. Expenditures on marketing activities that focused on face-to-face contact and relationship building were especially effective (Wilkinson, 2010).

INTERNATIONAL INCIDENT

You work for a mobile phone manufacturer that has developed a new smartphone. The new device is similar to existing products offered by the company but is much cheaper. Your task is to conduct market segmentation analysis in order to identify suitable market segments in Eastern Europe and to discover the best social media sites to target them. At the end of the process, you need to propose segments that would be interested in this smartphone. Which sources of information would you use in order to help you in this process? Would the proposed segments be similar or different across the different countries in the region?

Education

Income and education are closely related. Educational attainments in populations vary widely. In less-developed countries, a substantial percentage of the population may be illiterate or have completed only the most basic level of education. Consequently, these individuals obtain limited job skills and receive the lowest wages. As the number of high school and college-educated persons rises, and the quality of these institutions improves, new target markets emerge for a variety of products. As a simple example, books may not be widely sought in least-developed economies, whereas popular press books, novels, including digital versions, and printed materials such as special-interest magazines would be desired in emerging economies as well as in most-developed nations.

When advertising returned to Cambodia after decades of war and unrest, outdoor advertising became the primary medium. Local advertisers used images rather than words, or copy, in outdoor promotions. With a high illiteracy rate and low levels of education, the images were more effective than words would have been in promoting various brands (Yeow, 1996).

Ethnicity

Ethnic groups may be present within a given country or nation. These groups often exhibit differing purchasing patterns and product preferences. Ethnicity serves as a segmentation variable in both domestic and international settings. Products and marketing programs can be tailored to individual groups within the area. One method for identifying a market segment would be to seek out a subculture based on ethnicity that is the minority in a country.

According to former German Chancellor Helmut Kohl, more than 3 million Turkish people lived in Germany as of 2011. The number of Turkish people seeking asylum in Germany rose dramatically in 2016, partly due to the increase in terrorism in Turkey. With a spending power of €18 billion, this ethnic population has become an attractive target for marketing activity; however, companies needed to use caution as tensions between immigrants and native Germans began to rise (Noah, 2016). To reach this group in Germany, some companies advertised in local Turkish-language newspapers and explicitly referenced Turkish heritage and culture in promotions (Erdem and Schmidt, 2008).

PSYCHOGRAPHICS

Psychographic profiles emerge from a person's activities, interests, and opinions. Psychographics are influenced by cultural differences and are influenced by numerous factors such as religious beliefs, local customs, language, and even the popularity of local sports (Kahle et al., 1999). Cultures vary with regard to individualism or collectivism, gender equality, humane orientation, and future orientation dimensions. Countries with individualistic tendencies offer opportunities to market personalized products and items that make a person stand out from the crowd. When gender equality is present, fashion and clothing may feature unisex design. Humane orientation may affect the delivery of products and services that assist disadvantaged people and those with disease. Consumers in cultures with short-term orientations may be much less likely to purchase products featuring long-term usage. Short-term orientation may, in part, reflect life expectancy.

GEOGRAPHIC AREA

Some marketing appeals target people in a geographic area or region. Many times differences exist in purchasing patterns in rural versus urban areas, creating unique segments. Geographic details influence product availability, such as when a landlocked region experiences greater difficulty importing and exporting products due to the lack of an ocean port.

Germany can be divided into several distinct regions, including Bavaria, the Black Forest, Germany's East, the North and Baltic Sea area, the Rhine Valley, and Ruhrpott. Each exhibits distinct subcultures shaped by geographic features, economic circumstances, and historical events. The southern and northern regions of Germany are influenced by the presence of a body of water in one but not the other. Economic circumstances vary, in part due to the levels of affluence attained by those who did not live under the communist regime or the government of Turkey. The division between citizens of the former East Germany and West Germany continues, and, as noted, internal tensions increased as immigration rates rose. These differences may dictate the presence of a potential market segment or suggest that one does not exist, even though the regions are part of the same country.

Australia consists of several distinct markets. Wants and needs differ in the Outback area compared to those in the Highlands regions or the cosmopolitan areas of Sydney or Melbourne. Consumers in the major cities have needs that are similar to the needs of consumers in any major city worldwide. Consumers in the Outback and Highlands regions experience needs based heavily on climate, topography, and wildlife.

GEODEMOGRAPHIC SEGMENTATION

A hybrid form of geographic segmentation allows companies to enrich geographic approaches to segmentation by adding demographic and psychographic information.

Geodemographic segmentation may also be useful when various regions feature differences. In addition to the regional distinctions in Germany, differences exist between southern and northern China and between Western and Eastern Europe. Several companies focus specifically on geographic and geodemographic research. The firm ESRI, for example, provides executives with cutting-edge technologies for utilizing data from around the world. Sources such as ESRI help managers to combine geographic and demographic data into useful information for decision-making.¹

Another useful but local tool is ACORN (acorn.caci.co.uk) described as a consumer classification that segments the UK population based primarily on where they live. By analyzing demographic data, social factors, population, and consumer behavior, it provides precise information and an understanding of different types of people based on the zip code (postcode) of their home address.² In the USA, Clarita's lifestyle segmentation provides a similar segmentation tool called MyBestSegments.³

BENEFIT SEGMENTATION

Benefit segmentation focuses on the advantages consumers receive from a product or service rather than the characteristics of consumers themselves. This approach features the advantage of focusing on the benefits sought by consumers, which may be the fundamental reason for the existence of true market segments. Benefit segmentation recognizes consumer choices much more accurately than other descriptive variables, such as demographic characteristics. Also, demographic or psychographic information can be combined with benefit information to identify more specific segments.

A given product or service may deliver one benefit in a given country and a separate benefit in another. For example, batteries may offer convenience in some settings but generate a much greater benefit in regions where power supplies are routinely interrupted.

Benefits consumers derive from items or services are affected by religious and cultural circumstances, economic conditions, and personal income variables. This segmentation approach is often used in the international travel and tourism industry because it helps to identify consumer motivations and the satisfaction of what they need and want from their travel trips. In a study about Japanese travelers to North America, researchers identified that there were three main benefit-based segments of travelers: novelty/nature seekers, escape/relaxation seekers, and family/outdoor activity seekers (Jang et al., 2002).

Another important application of benefit-based segmentation in the travel industry is to divide the market of senior consumers; an important global market segment growing in importance (Eusébio et al., 2017). These characteristics may then be used to develop marketing communications materials by the destinations to target the selected segments.

Another example of benefit-based segmentation is the case of clothing (which may be useful when analyzing the UNIQLO case study at the end of this chapter). Recent research sought to discover whether there are market segments for the fashion industry that cut across countries and respond differently to advertising messages. A survey identified four cross-national market segments based on the benefits sought: "information seekers," "sensation seekers," "utilitarian consumers," and "conspicuous consumers" (Ko et al., 2007). The existence of such segments across countries suggests that advertisers may develop standardized campaigns that emphasize the selected benefits to target each group. Table 6.4 presents the characteristics of the discovered segments.

TABLE 6.4 Example of Benefit-Based Segmentation of Clothing Applied to International Markets.

Segment	Characteristics
Information seekers	These consumers like learning about fashions and trying new things, but have little concern for actual product performance. Information about cutting-edge fashion is important to them, they like consulting magazines/books to know what is new. They like to visit a variety of stores even if they have no immediate intention of making a purchase
Sensation seekers	Aesthetic elements in clothing (e.g., taste, color, design, coordinating) are important to this group. They are interested in color coordination and believe they have good taste in choosing clothing products. Aesthetic aspects of clothing are important to them when making purchase decisions
Utilitarian consumers	Members of this segment are highly concerned about comfort and the functionality of the clothing. They primarily choose clothing because it is a necessity, their purchases are planned. These consumers think in utilitarian terms and weigh value and functionality higher than the other segments
Conspicuous consumers	These consumers have a strong belief in the value of prestige or high-priced brands and products. They value clothing that is of high quality and is associated with high social status. They purchase high-priced, high-prestige brands because of the acknowledgment it brings from others

Source: Ko et al. (2007).

LEARNING OBJECTIVE #3:

Which consumer segments can be found across different countries to be targeted with standardized products and services?

CONSUMER TYPES

National boundaries have long served as convenient ways to identify market segments. More recently, companies increasingly target segments across boundaries. A newer method used to identify market segments involves finding concentrations of global, glocal, or local consumers. These individuals have been influenced by cultural circumstances, history, the local political system, and economic conditions.

Global Consumers

Many consumers in different nations earn similar incomes and hold the same social status levels. These individuals often exhibit common purchasing patterns, suggesting the presence of an international market segment consisting of global consumers. These consumers typically live in developed countries; however, this segment also includes wealthy consumers in developing and even less-developed countries, especially when those individuals have access to international media and the Internet (Cleveland and Laroche, 2007).

Global consumers focus less on price and instead buy products that meet global quality standards. They are often located in urban settings and exhibit high levels of **cosmopolitanism**. These **high-cosmopolitanism** consumers consider themselves as members of a larger global community rather than as merely maintaining an allegiance to a local culture and community. Global consumers wear similar clothes, use technology in similar ways, and consume similar entertainment. They watch for the newest American blockbuster movie to appear at the local theater on their iPhones while sipping Cokes and wearing designer jeans (Hannerz, 1990).

cosmopolitanism: the view that a person is a member of a larger global community rather than merely maintaining an allegiance to a local culture and close-by circumstances

High-cosmopolitanism consumers view themselves as members of a larger global community rather than as merely maintaining an allegiance to a local culture and community

GLOBAL CONSUMERS AND INTERNET USAGE SEGMENTATION

Internet usage and e-commerce (including mobile commerce) continue to grow.⁴ Table 6.5 presents the top twenty countries according to the number of Internet users. Online shoppers around the world share similar traits and serve as a prime example of global consumers. Internet shoppers worldwide are similar in regard to their desire for convenience, impulsivity, and exhibit more favorable attitudes toward direct marketing and advertising. They tend to be wealthier, younger, and are heavier users of e-mail along with the Internet. At the same time, each part of the world remains unique in social norms, culture, and infrastructure. Such differences may cause the profiles of Internet shoppers and non-shoppers to differ across national boundaries (Brashear et al., 2009). Internet usage may be an important segmentation factor, especially for such e-commerce activities as marketing communications, online shopping, mobile commerce, or health communications.

TABLE 6.5 Number of Internet Users: Top Twenty Countries

No.	Country	Population 2016 Est.	Internet Users June 16	Internet Penetration (%)	Growth (*) 2000–2016 (%)	Facebook Users June 16
1	China	1,378,561,591	721,434,547	52.30	3,106.40	1,800,000
2	India	1,266,883,598	462,124,989	36.50	9,142.50	157,000,000
3	United States	323,995,528	286,942,362	88.60	200.90	201,000,000
4	Brazil	206,050,242	139,111,185	67.50	2,682.20	111,000,000
5	Indonesia	258,316,051	132,700,000	51.40	6,535.00	88,000,000
6	Japan	126,464,583	115,111,595	91.00	144.50	26,000,000
7	Russia	146,358,055	103,147,691	70.50	3,227.30	12,000,000
8	Nigeria	186,879,760	97,210,000	52.00	48,505.00	16,000,000
9	Germany	80,722,792	71,727,551	88.90	198.90	31,000,000
10	Mexico	123,166,749	69,000,000	56.00	2,443.90	69,000,000
11	Bangladesh	162,855,651	63,290,000	38.90	63,190.00	21,000,000
12	United Kingdom	64,430,428	60,273,385	93.50	291.40	39,000,000
13	Iran	82,801,633	56,700,000	68.50	22,580.00	17,200,000
14	France	66,836,154	55,860,330	83.60	557.20	33,000,000
15	Philippines	102,624,209	54,000,000	52.60	2,600.00	54,000,000
16	Vietnam	95,261,021	49,063,762	51.50	24,431.90	40,000,000
17	Turkey	80,274,604	46,196,720	57.50	2,209.80	46,000,000
18	Korea, South	49,180,776	45,314,248	92.10	138.00	17,000,000
19	Thailand	68,200,824	41,000,000	60.10	1,682.60	41,000,000
20	Italy	62,007,540	39,211,518	63.20	197.10	30,000,000
<i>TOP 20 Countries</i>		4,931,871,789	2,709,419,883	54.90	903.70	1,051,000,000
<i>Rest of the World</i>		2,408,287,703	966,404,930	40.10	961.40	628,433,530
<i>Total World Users</i>		7,340,159,492	3,675,824,813	50.10	918.30	1,679,433,530

Source: Internet World Stats. Retrieved from www.internetworldstats.com/top20.htm.

GLOCAL CONSUMERS

The word “glocal” combines the words “global” and “local.” It reflects dual consumption patterns. Glocal consumers buy global products, but the purchase represents a special occasion rather than a typical purchase. They may be inclined to seek out products that mimic global products but ones that are priced slightly lower. They may be of a lower socioeconomic status, but their purchasing preferences also reflect strong ties to the local community and local consumption. Glocal consumers are often rural migrants who are relatively new to an urban setting and to the new purchasing opportunities present in that environment.

Glocal consumers tend to shop at the neighborhood corner markets, drink traditional beverages, and enjoy local cultural entertainment. They occasionally go to KFC for a meal or watch an American film. Glocals are more likely to purchase local versions of foreign goods and services, such as staying at a local hotel that mimics a Western chain. International marketers can devise advertisements with glocal themes that appeal to these markets (Hung et al., 2007).

LOCAL CONSUMERS

Local consumers rarely consume foreign products. For either economic or taste reasons, these consumers maintain traditional consumption patterns. Many local consumers live in rural settings where they only infrequently have the opportunity to purchase foreign goods. These consumers often exhibit high levels of **ethnocentrism**, or the strongly held belief that one’s culture is superior to others. Ethnocentrism is, in many ways, the opposite of cosmopolitanism. Ethnocentric consumers generally exhibit a tendency to avoid purchasing foreign-produced products (Shankarmahesh, 2006).

ethnocentrism: the strongly held belief that one’s culture is superior to others

The country of Uganda has one of the highest rates of alcohol consumption in the world. For many locals, the drink of preference is not foreign but local drafts made from some combination of distilled sorghum, millet, maize, sugar, bananas, and pineapples. Even the local word for any sort of alcoholic drink, *waragi*, is a corruption of the colonialist British “war gin” into a more inclusive, Ugandan word. The preference for local spirits reflects a typical local consumer consumption pattern (Smith, 2009).

GREEN MARKETING AND SUSTAINABILITY-ORIENTED SEGMENTS

Recently, an increasing number of more environmentally friendly products have been developed in the international arena. When conducting a market segmentation program for these items, the distinction may be drawn between consumer preferences for green products when as a matter of choice versus when it becomes a matter of necessity.

CONSUMER PREFERENCES

One of the primary challenges facing green marketers has been consumer unwillingness to spend more for environmentally safe products. In essence, the majority of customers only purchase green products when the item maintains the same level of price, quality, convenience, and performance (Dawkins, 2004).

GREEN BY NECESSITY

In bottom-of-the-pyramid nations, sustainability often becomes a driving force in purchases. Any item that saves or reuses water, runs on solar power or renewable

batteries, or helps in some other way to preserve natural resources has a better chance of being accepted and purchased. Part of the reason is that such products also save the consumer money. A growing amount of evidence suggests that sustainable products create one of the largest marketing opportunities in nations where the majority of citizens live below the poverty line.

SC Johnson has focused on developing sustainable agricultural processes for the production of a key ingredient, pyrethrum, for the company's botanical pesticides. The company sources much of this ingredient, which is made from chrysanthemums, from East Africa. Working with farmers in the region, the company established sustainable practices that ensure profits along with the long-term viability of the crop for East African farmers.⁵

In sum, numerous forces influence segmentation processes by influencing what consumers want or need, how much money they have to spend, and subsequently the willingness to spend that money. These factors can be used to develop regional and national segmentation strategies.

USAGE SEGMENTATION

Consumer segmentation can be based on the frequency of usage by groups that purchase the product or service, including the company's best customers, average users, and casual or light users. The objective will be to provide the highest level of service to the best customers while promoting the company to the other two groups, in the attempt to maximize sales to all groups. In the hospitality industry, hotels in some countries offer frequency programs for vacationers and those who travel more often. For other consumers, taking a trip and staying in a hotel may be a once-in-a-lifetime experience.

INTERNATIONAL BUSINESS-TO-BUSINESS MARKET SEGMENTATION

The primary goals of business segmentation efforts are to provide better customer service and to group similar organizations into clusters to enhance marketing efforts. Table 6.6 identifies methods used to segment business-to-business markets.

SEGMENTATION BY INDUSTRY

Many industries extend past national boundaries. Identifying segments by industry, such as health, automotive, financial, or clothing, represents a common approach in international marketing. Marketing employees break segments down into smaller subcomponents. An organization selling small appliances such as radios, mobile devices, or hair dryers accounts for differences in the electricity available, such as alternating versus direct current, when specifying market segments. Major financial and insurance providers, including the Italian provider Generali Group, offer financial products and services that vary by industry need.⁶

TABLE 6.6 Criteria of Segmenting Business-to-Business Markets

Industry
Size
Geographic Location
Product Usage
Customer Value

SEGMENTATION BY SIZE

Market segments may be identified based on the size of a company's sales volume or its number of employees. Large firms with 100,000 employees do not have the same needs as smaller companies with 100 or fewer employees. Typically, selling to a large firm focuses on the company's purchasing department. For smaller firms, the owner or general manager often makes purchase decisions and becomes the target of marketing messages. The marketing team assesses the number of smaller and larger purchasers in a nation or region before developing a program to reach these buyers.

Economic circumstances often dictate the number and types of business organizations of each size (small, medium, large) in a country. Cultural or institutional traditions might also exert influence. Banks in Spain follow a unique organizational structure, called *cajas*, with roots going back to the Middle Ages. Banks are traditionally linked to cities or regions, and some may be controlled by the Catholic Church.⁷ Poverty often leads to many small, barely sustainable family businesses. Political-legal conditions favor corporations and multinational firms in countries that lean toward free enterprise, as opposed to communist or state-directed economies.

For years, FedEx did not segment business-to-business customers. In the mid-1990s, realizing that a lack of segmentation was hindering its growth, the company began segmenting based on account size. By 2005, the company transitioned to one of the most complex segmentation processes in the industry. Mark Colombo, vice president of strategic marketing and corporate strategy, noted, "We look at sizes of segments; opportunities with customers; whether a customer is new; whether we're penetrating, growing, or retaining a relationship; what industry they're in; what distribution model they sell products through; and their geographic locations" (Kontzer, 2005).

GEOGRAPHIC LOCATION

As with consumer segmentation, identifying business market segments by geographic location can be a successful tactic. This includes larger distinctions such as the Pacific Rim as well as more specific differences, including those countries that use the *euro* as a form of currency as opposed to those that do not. Within a given nation, regional geographic distinctions are drawn in order to discover target markets, such as the Basque region that spans the border between France and Spain. United States-based global giant General Electric offers numerous business products and services to customers throughout the world and has focused recently on offering infrastructure services to customers in northern and south-eastern Asia, segmenting markets based on the needs of these regions.⁸

PRODUCT USAGE

Business markets may be segmented based on the manner in which companies use the goods and services. Some services, including those in the financial and hospitality industries, offer more than one use to customers. In the automobile rental industry, various nations have differing laws regarding the rental process. Cars may be used for business trips, vacations, or entertaining clients. Car fleets are also rented to various organizations. These product usage factors may be used to distinguish various target markets. Thermocouple Instruments, part of the British Rototherm Group, offers a wide selection of business-to-business products pertaining to temperature assemblies, thermostats, and flow instrumentation.⁹ The company bases its marketing mix on the types of product usage present in various target segments.

CUSTOMER VALUE

Marketers locating business-to-business segments often ascribe values to customers. Normally, in-depth data about each business customer will be available. The marketing team assigns a value to each individual business through sales records and other sources of data and information, placing them into low-, medium-, and high-value groups (Clow and Baack, 2010). Customer value ratings may also be assigned within or to regions, such as South America or the eurozone.

The telecommunications industry features customer value segmentation, for both consumers and business markets. With the high amount of brand switching (also known as *churn*) to new carriers in the industry, the value segmentation can be linked to the percentage of consumers who are likely to switch as a guide to company marketing activities. For the high-value, high-churn segment, the focus should be on aggressive incentives to retain the business. For high-value, low-churn businesses or the low-value, high-churn business no action will be required (Bayer, 2010).



dual channel marketing: selling virtually the same goods or services to both consumers and businesses

spin-off sales: sales that occur when individuals who buy a particular brand at work have positive experiences and, as a result, purchase the same brand for personal use

Firms that sell virtually the same goods or services to both consumers and businesses, such as laptop computers, engage in dual channel marketing.

DUAL CHANNEL MARKETING

Firms that sell virtually the same goods or services to both consumers and businesses engage in **dual channel marketing**. The approach fits several situations. One common scenario occurs when a product sold in business markets is then adapted to consumer markets. Products including digital cameras, calculators, computers, fax machines, and cell phones that were first sold to businesses and then later to consumers. Also, when individuals who buy a particular brand at work have positive experiences and, as a result, purchase the same brand for personal use, **spin-off sales** occur.

One marketing decision involves how to represent the product in each channel. Similarities between the two markets may be featured unless there are significant differences. When consumers and business buyers value different product attributes or desire different benefits, the marketing team customizes messages for the separate markets. In most cases, business customers and consumers seek the same basic benefits from products.

Dual channel marketing results from economic development. Emerging economies, newly industrialized countries, and nations with more developed economic systems feature more businesses combined with a larger number of individuals with disposable incomes. An Italian sales representative who travels throughout the Eurozone may discover she enjoys lodging at the Holiday Inn. When it is time for her family to take a vacation, she might seek out that chain when making travel arrangements. The same scenario will be less likely to take place in least-developed nations. Consequently, the economic status of a country affects potential dual channel markets.

Dual channel marketing creates a major competitive advantage because products are sold in both markets, in terms of both domestic operations and international marketing. Adding customers leads to economies of scale in production expenses and synergies in messages delivered to consumers and other businesses (Imber and Toffler, 2000).

LEARNING OBJECTIVE #4:

How can the marketing team use regional and national segmentation methods to improve a company's global marketing program?

REGIONAL AND NATIONAL SEGMENTATION

Based on the methods for identifying marketing segments that have been selected, international market segmentation programs are developed. Some might be created for large regions, such as the three members of NAFTA or the members of the Eurozone. Others target individual nations and regions within individual countries, including the cultural clusters depicted in Figure 6.8. In addition, language and regional differences may be used to separate distinct target markets. Further adjustments are made to account for regional differences. An analysis of the definition of the term “market segment” illuminates some of these nuances.

WANTS AND NEEDS

Individual consumers experience wants and needs in vastly different ways depending on specific circumstances. In earthquake-stricken Nepal in 2015, wants and needs were reduced to the most basic of human survival issues: water, food, clothing, and shelter. Medical care became nearly a luxury that only a select few could find or afford. Many underdeveloped countries have populations where the vast majority live at this subsistence level. A want in one country may not translate to another. While in many countries, ultrasound meets the desire parents have to know a baby's gender, such is not always the case. Many health clinics in poorer sections of India refuse to identify the gender of a baby during an ultrasound. The concern is that men may divorce a woman when the child is female (Crosby, 2011).

MONEY TO SPEND

Per capita income, or the total income in a country divided by its total population, as displayed in Table 6.7, varies widely by nation. Members of a potential market segment may experience wants and needs in sufficient numbers, yet the ability to pay limits the viability of the market. Per capita income, when combined with the degree of income distribution as dictated by the economic system, dramatically affects the presence or absence of potential target markets. The Gini coefficient index (displayed on the right hand side of the Table) indicates the level of income inequality within a country. A higher Gini coefficient indicates a higher degree of income inequality. A coefficient of 1.0 would represent a single individual holding all of the wealth; a 0.0 would represent perfect income equality or distribution.

TABLE 6.7 Selected Per Capita Incomes in Various Countries

Nation	Per Capita Income (2011 PPS per day)	Life Expectancy from Birth	Gini Coefficient Index
Belgium	\$48.90	81.0	27.7
Brazil	\$19.30	75.3	51.3
Chile	\$21.60	79.3	47.7
Colombia	\$14.30	74.4	50.8
Denmark	\$51.90	80.7	28.2
Ethiopia	\$3.70	65.0	65.5
Greece	\$21.70	81.0	36.0
Russian Federation	\$22.40	71.2	37.7
Turkey	\$18.70	75.8	41.9
United States	\$68.90	78.7	41.5

Source: "Key Development Data and Statistics," The World Bank. Retrieved from www.worldbank.org.

The World Bank, Key Development Data and Statistics, www.worldbank.org, 2015 Data except 2016 data for the United States, Colombia, and Turkey (2015 data were incomplete) (<http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>)

WILLINGNESS TO SPEND

The figures in Table 6.7 indicate a wide disparity among select nations which in turn affects wants and needs, money to spend, and the willingness to spend money. Consumers in Denmark and the United States are more likely to desire many more items beyond necessities. Sundries and luxuries may be made available to a number of patrons. In Greece and similar nations with less-dramatic differences in wealth, sundries would be desired by many, with a limited number wishing to obtain luxuries. Haiti and Zimbabwe exhibit a far different type of economy, one in which the vast majority of citizens generate incomes at the bottom-of-the-pyramid.

LANGUAGE

Citizens in many parts of the world speak a common language, such as Spanish. The individuals and countries may constitute a large market segment. In other circumstances, an individual country may feature numerous languages. Switzerland features four official languages: German, French, Italian, and Romansch. India recognizes one official language, Hindi, but the number of other languages spoken across the

nation may number in the low thousands. The continent of Africa has complex overlaps between languages and countries. Many of the world's complicated languages are found there, including Xhosa, the "click" language of the San, or "bushmen," of the Kalahari Desert (Ahlstrom, 2011). The country of South Africa alone has eleven official languages: IsiZulu, IsiXhosa, Afrikaans, Sepedi, English, Setswana, Sesotho, Xitsonga, isiNdebele, Tshivenda, and siSwati.¹⁰

Successful marketing to African consumers requires navigating these complicated languages. The goal of the segmentation analysis would be to make sure that the products and messages match with a viable group of people speaking a common language.

REGIONALLY BASED MARKET SEGMENTS

The segmentation variables discussed above can be used to group countries into regions. Countries in several regions of the world have similar cultures, consumption patterns, and languages, which leads to regional groupings. Often these groupings are based on culture. Two versions of the clusters that have been suggested as groupings are displayed in Table 6.8.

TABLE 6.8 Cultural Clusters

GLOBE Societal Clusters	Ronen and Shenkar Clusters
Nordic Europe (three countries)	Near Eastern
Eastern Europe (eight countries)	Nordic
Sub-Saharan Africa (five countries)	Germanic
Southern Asia (six countries)	Anglo
Latin Europe (six countries)	Latin European
Germanic Europe (six countries)	Latin American
Latin America (ten countries)	Far Eastern
Middle East (five countries)	Arab
Confucian Asia (six countries)	Independent

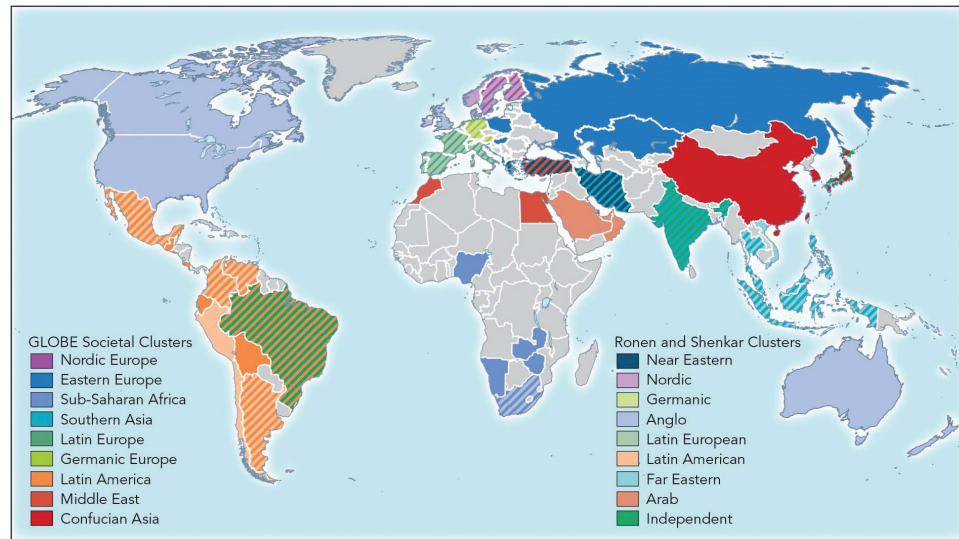
Source: Ronen and Shenkar (1985).

The GLOBE academic study and the research by Ronen and Shenkar (1985) revealed the following cultural clusters.

These groupings allow for regional segmentation based on similarities across markets. Companies introduce products across the regions, knowing that consumption patterns and business processes will be fairly consistent within the region. Success in one country within the region leads to skills that transfer well within that cluster. Expanding within the cluster will be less costly than expanding to countries in another cluster.

SEGMENTATION AND THE BOTTOM-OF-THE-PYRAMID

The final global segment consists of the 4 billion people worldwide that live on \$2 per day or less, the bottom-of-the-pyramid consumers (see Figures 6.2 and 6.3) (Prahalad, 2006). These individuals experience wants and needs but with only limited money to spend. Still, opportunities do exist. Even with a small profit margin, the large size and equivalent large potential volume make this segment increasingly attractive. A \$0.01



MAP 6.1 Cultural Clusters

margin might result in millions of dollars in profit. To segment this group effectively, companies adjust the marketing mix, including changes in products, prices, and delivery systems, and, in some cases, brands. The goal of these changes becomes to create the capacity to consume by lowering the barriers to purchase.

PRODUCTS

One approach to marketing to bottom-of-the-pyramid consumers involves changing the product, either in terms of the design of the item to meet a slightly different need or by simply lowering the quantity offered per purchase. In India, for example, local companies produce more eco-friendly, single-usage packages or sachets of laundry detergents; foreign multinational corporations now also produce these items.¹¹ This packaging lowers the price, allowing consumers with limited incomes to purchase the product.

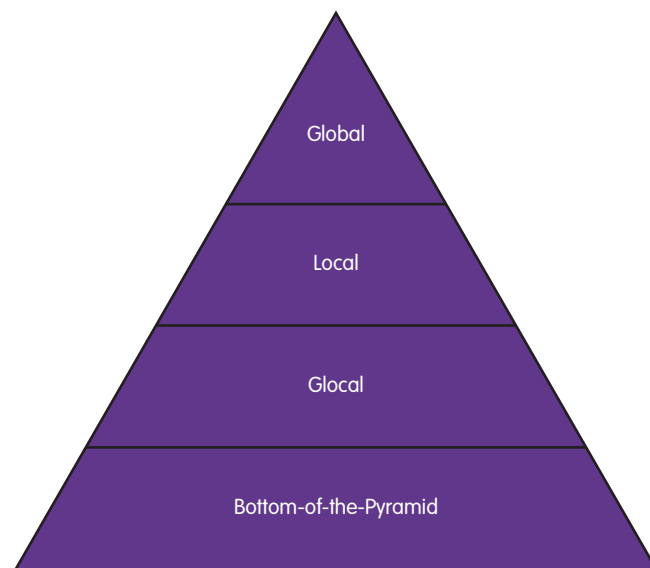


FIGURE 6.3 International Income Segments

PRICING

Pricing may be adjusted to match a market segment. While it may be helpful to lower a price to allow for expression of demand, some evidence suggests that persons at the bottom-of-the-pyramid are also brand conscious. Therefore, pricing based on price–quality relationships remains viable.

Exchange systems, or the methods of facilitating payment, vary within the economies of bottom-of-the-pyramid countries. For example, more extensive use of *barter* whereby an individual trades one good or service for another often takes place. Use of money *or* currency will be limited to the customers who are able to accumulate sufficient amounts to make payments. Further, debit cards rather than actual currency are the norm in many countries. The use of credit may be more dependent on individual relationships than on any company offering such a service (credit cards) to facilitate purchases. Providing credit for purchases that seem relatively small, the equivalent of \$10 to \$15, can help create the capacity to consume.

Companies targeting the bottom-of-the-pyramid market often seek to reduce costs to create price reductions. Cost-cutting results from changes in product design. Hindustan Unilever Ltd's marketing team set the goal of lowering the price of ice cream in India in order to reach low-income consumers. Realizing that refrigeration constitutes 40% of the cost, the company introduced a salt-based heat shield that was less expensive to produce, provided more insulation, and contained fewer pollutants, which reduced the costs and the price (Boyer, 2003).

exchange systems:
the methods of
facilitating payment
for a product or
service

DELIVERY

Reaching target markets involves finding delivery systems that match a local region. This includes identifying traffic systems, the presence of electricity on a routine basis, and more basic elements such as running water. Product modifications match delivery systems when effectively reaching target markets of low-income members of a country. Bottom-of-the-pyramid segments often face problems with electricity access, which necessitates innovations in refrigeration, batteries, and more-efficient energy consumption.

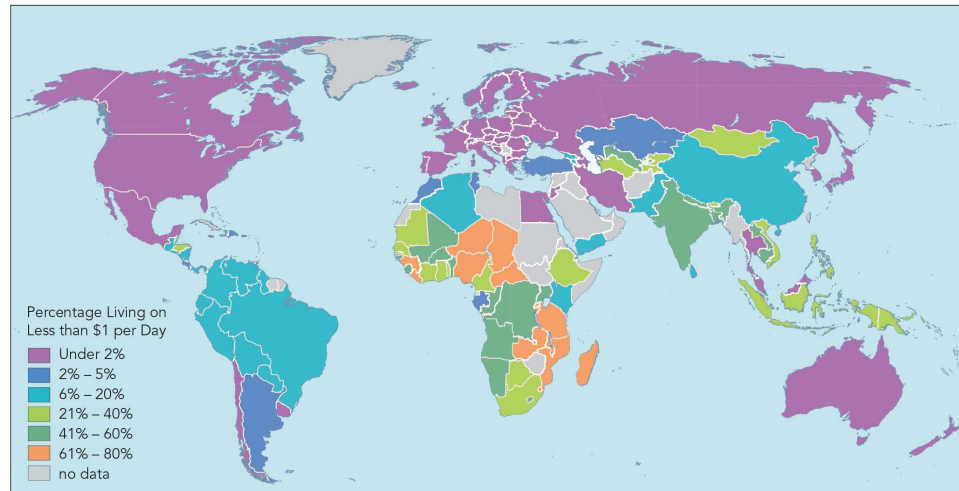
PROMOTION

Promoting products to market segments at the bottom-of-the-pyramid creates distinct challenges. These consumers are less likely to be exposed to mass media and may not be easily reached. Literacy and overall levels of education may be limiting factors. Word-of-mouth endorsements and other less-traditional promotional tactics become valuable tools to contact and persuade these customers to make purchases. At the same time, for many brands, bottom-of-the-pyramid consumers already exhibit brand awareness and demand for the product, making promotion more focused on messages that remind or inform potential customers about a new, lower price.

Even with a small profit margin, the large size and equivalent large potential volume of consumers making less than \$1 per day make the bottom-of-the-pyramid segment increasingly attractive.

LEARNING OBJECTIVE #5:

How to assess the market potential of a segment?



MAP 6.2 The Percentage of Country Population Living on Less than \$1 per Day

A MARKET SEGMENT ANALYSIS

Three terms may be used to help understand the potential of a target market. *Market potential* represents the total number of individuals or businesses that could purchase a product in a given area. *Market demand* consists of the total sales of all brands sold in an area or within a product industry. *Company or brand demand* is the estimated demand for a company's brand. Company demand may also be called *estimated market share*.

The following statistics would emerge from an analysis of the potential sales of solar-powered personal computers in South Africa:

Market potential = 27 million households that might purchase solar personal computers

Market demand = 3 million households that have purchased solar personal computers

Sales of Sony solar computers = 750,000 units

$$\text{Company demand} = \frac{\text{Sales of Sony computers}}{\text{Market demand}}$$

$$= \frac{750 \text{ thousand}}{3 \text{ million}}$$

$$= 25 \%$$

These calculations indicate that Sony's market share, or its company or brand demand, is one-fourth of all computers sold in South Africa. One additional factor may be of interest: the product's *penetration rate*.

$$\text{Penetration} = \frac{\text{Market demand}}{\text{Market potential}} = \frac{3 \text{ million}}{27 \text{ million}} = 11.11\%$$

Calculating these statistics may assist the marketing team in making decisions about entering nearby nations or expanding operations within South Africa.

ASSESSING MARKET POTENTIAL

When examining the potential of a region for expansion, five market potential factors should be assessed:

1. availability of financial resources,
2. availability of potential substitutes,
3. ability to offer attractive benefits,
4. current product availability,
5. consumer awareness of the product.

When the marketing team examines the market penetration of South Africa, the firm would either expect to provide the necessary financial resources or would believe access exists to obtain those resources in nearby nations. Based on the Sony market share within South Africa, the company's leaders would assess whether a 25% share would be sufficient to expand into a new country, or if too many potential substitutes are available. Then, Sony's marketers, working with production and other parts of the company, would seek to understand whether the company's products could be differentiated in some way to offer attractive benefits. The competition would be assessed to identify all competitors that could affect current product availability. Finally, consumer awareness in the nation would be examined to determine whether those in the nation are *aware* of the value of a solar-powered personal computer, which continues to work during power outages and in remote regions where electricity is not available.

The target market or market segment for a solar-powered personal computer would be assessed, notably by examining the age, income, and educational level of potential consumers, and possibly by examining geographic factors. If the marketing team determines that sufficient potential exists, then expansion may be justified.

ASSESSMENT CRITERIA

A second method that may be used to study the potential benefits of entering a new market is to examine the segment across four criteria, as follows:

Measurability: Can the segment be quantified and identified?

Accessibility: Can the segment be reached?

Profitability: Is the segment large enough to generate profits?

Actionability: Can a marketing program be designed to stimulate interest and behavioral responses (purchases)?

No matter which method is used to evaluate the potential of a new market segment, the marketing team will consider the context. It may be that, in the short term, a market may not seem viable. The strategic question to be posed in those circumstances is whether entering might elicit benefits in the long range. For example, entering the market may preempt the competition from doing so, thereby gaining a first-mover advantage in a growing or emerging economy. In essence, the final decision to enter a new target market combines an understanding of current circumstances with other judgments.

When an international company is able to capitalize on these opportunities and match them with innovative products, international marketing success often results. Montreal's L'Oréal preempted international competitors by introducing the world's first two-step hair coloring product, L'Oréal Paris' Couleur Experte, by becoming the lead innovator and first-mover in the industry. The development of the patent for the product, along with superb international marketing, led to quick consumer acceptance and marketplace success.¹²

ETHICAL ISSUES IN INTERNATIONAL SEGMENTATION

Many of the ethical issues associated with domestic markets also appear in discussions of international segmentation. For example, one common complaint is that any segmentation program featuring demographics reinforces stereotypes. This tendency might emerge when ethnicity becomes the basis for a market segment, especially when marketing messages play to stereotypical images, both in the dominant culture and in any subculture or counterculture.

A closely related issue occurs in the area of gender discrimination. Females are confined to submissive and subservient roles in many cultures. When a company from a different country, one with opposing views, markets to women, the question arises as to which cultural customs should be observed. For instance, packages and labels for feminine hygiene products may be strongly regulated based on cultural norms; a company may at the same time wish to be able to portray the benefits of the products, however, especially when those benefits include health advantages. The package might also assist less-educated women in identifying exactly what they are buying through the use of a drawing or photo, but the problem remains that any such figure or image might be culturally objectionable to some.

Targeting lower-income segments may be viewed by some critics as being the process of creating overconsumption by people who least can afford to do so. This includes encouraging purchases of less-healthy food products such as fast food, clothes designed to create status rather than to offer functionality, and modes of transportation that are less practical but at the same time are associated with a higher social standing.

Conversely, market segmentation programs may limit access to certain goods or services, especially when the process takes place at the nation level. When only the rich are entitled to educational services or access to a free Internet service, there may be ethical problems associated with a form of discrimination based solely on income or entitlement.

CHAPTER 6: REVIEW AND RESOURCES

Strategic Implications

An international marketing program includes every element of a domestic program. Marketing professionals identify target groups that match with tactics designed to discover the most viable audiences for products and services. Doing so requires an investigation of the regional or national context, in terms of culture, economic conditions, and local customer characteristics and preferences. Completing these processes allows for a program targeted at those who are most likely to welcome a new product or service to a given area.

Effective market segmentation programs, whether domestic, international, or both, require an alignment of the elements in the marketing mix. Marketing professionals match products, prices, distribution systems, and promotional efforts with target markets and position these elements accordingly. At the global level, top managers make strategic decisions with regard to standardization or adaptation. Ford features a standardized international global brand while Proctor & Gamble adapts products to individual nations and cultures.

The strategic direction of the company dictates either a differentiation or a low-cost approach to product development, pricing, and promotional programs. Companies may seek to serve a more general population through differentiation, presenting items as being different and better than competitor products. Others may choose to compete based on low cost to serve the needs of consumers that are price conscious and those that are constrained by their incomes. The local culture has a strong impact on this choice.

Tactical Implications

Numerous tactical efforts are undertaken to support the strategic position dictated by strategies. For example, the product's packaging and label will be altered to fit the legal and cultural dictates of a nation and a target market. Legal requirements vary as to any promise of a product benefit as well as labeling of content. Promotional programs would also be adjusted. This may lead to segmentation approaches based on usage or benefits.

Cultural preferences influence other tactical choices. Beyond the actual products, pricing methods and discounting programs may vary substantially. Some cultures take a dim view of the use of coupons. What may be considered a "sale" price might be determined by local laws and customs. Many cultures inject bargaining into purchase processes. The marketing team accounts for these nuances as well as exchange and payment systems. Further, some cultures and nations strongly discourage comparative advertising. Distribution systems are adjusted to local conditions and the infrastructure present in international markets. Many countries do not have big box super stores. Local small companies dominate instead, which affects order sizes and methods of transportation to be used.

Additional tactics include the selection of sales methods. This would include attending trade shows. When presenting a product to a potential new target market, company employees should first understand that in some international trade shows that executives attend, sales are made on the spot. In others, only information will be collected by lower-level operatives.

In situations where the target market consists of members at the bottom-of-the-pyramid, tactics with regard to packaging may lead to a smaller size and a lower price. As has been noted, many consumers in this market do respond to strong brands, which may at the strategic level indicate that a price-quality relationship focus is viable. The tactics that might succeed would potentially include pricing discounts or offers.

Operational Implications

Day-to-day operations will be influenced by cultural imperatives, electives, and exclusives. Sales force activities, including calling on prospective clients, will be dictated by the culture that is present. This includes greeting prospective clients,

engaging in social activities, making the actual sales presentation, dining, and even exchanging business cards. Careful preparation will be made before making contact with potential buyers in a new target market. This includes awareness of differences in language and slang.

Other operational activities associated with target markets include promotions. Consequently, any advertisement, coupon, website posting, sponsorship, public relations event, or alternative marketing tactic such as product placement in a television program or movie should be carefully inspected by a cultural assimilator to make certain the promotion meets the standards of the local culture.

Company activities will be adjusted to meet the norms of a local culture, including understanding, when to close for holidays and adapting to religious preferences and cultural nuances such as whether and when to make eye contact, and the physical distance to maintain between a buyer and seller during the purchasing process.

In summary, market segmentation and target market selection activities in international settings may be viewed as being “distinctively similar” to those in domestic markets. The processes used to identify target markets will be largely the same; differences emerge when segments are assessed to understand how to adapt the marketing mix to meet the needs and wants of a group with money to spend and the willingness to spend that money on a product being sent to a new country or region.

TERMS

market	ethnocentrism
market segmentation	dual channel marketing
STP approach	spin-off sales
market segment	exchange systems
cosmopolitanism	

REVIEW QUESTIONS

1. Define markets.
2. Define market segment and market segmentation.
3. Describe the usual steps in an international market segmentation process.
4. What factors are used to identify consumer market segments?
5. What factors are used to segment business-to-business markets?
6. What do the terms *dual channel marketing* and *spin-off sales* mean?
7. Define the global consumers, local consumers, and glocal consumer concepts.
8. How is cosmopolitanism related to ethnocentrism?
9. How can the marketing mix be adjusted to meet the needs of those at the bottom-of-the-pyramid?

10. What types of consumers are most likely to buy green or sustainable products in industrialized countries?
11. What ethical issues are present in market segmentation processes?

DISCUSSION QUESTIONS

1. Three methods can be used to select employees to sell products or manage marketing operations in foreign markets. *Expatriates* are persons employed by the exporting company who are asked to move or travel to foreign lands. *Locals* are individuals from the target country. *Third-party nationals* are persons who live in neither the home country nor the target country. Which do you think would be best suited to use in an international marketing program focusing on developing new target markets? Why?
2. Think of circumstances (industries or products) that serve as examples of when to use the following types of business segmentation:
 - Industry
 - Size
 - Geographic location
 - Product usage
 - Customer value

ANALYTICAL AND INTERNET EXERCISES

1. Visit the Project GLOBE website (globeproject.com). Write a report about how you believe information from the project can be used to identify market segments, based on the information about market segmentation in this chapter.
2. Choose a country from three of the regions presented in Table 6.7. Using the Internet, collect as much information as you believe is needed to identify the potential for market segments based on age, income, and product usage for the following products:
 - bottled water
 - iPod or similar device
 - frozen pizza to be baked at home
 - life insurance
3. Calculate company demand and the penetration rate using the following statistics:
Market potential = 130 million
Market demand = 41 million
Company sales = 17 million

Explain what the numbers mean and why they are important.

4. Using the Internet, identify consumer market segments in India for two types of music:
 - traditional Indian folk songs
 - music from other countries, including classical, rock, hip-hop, and country and western

Then, match each of these forms of music using the various forms of consumer market segmentation presented in this chapter.

5. Visit the ACORN website (acorn.caci.co.uk). Using the trial option, find out how ACORN segmentation can be used in designing marketing programs, or localizing marketing offering. Try to find out if similar tools exist in other countries.

STUDENT STUDY SITE

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CASE 6

UNIQLO: Apparel and Segmentation

UNIQLO is a Japanese clothing company, often described as a Japanese version of the GAP, or “the Ikea of clothes.” It was originally founded in Yamaguchi, Japan in 1949 as a textiles manufacturer. UNIQLO’s first store opened in Japan in 1984. As an SPA (Specialty-store retailer of Private-label Apparel) controlling the entire clothes-making process from design through manufacture and retail, UNIQLO offers high-quality casualwear for men, women, and children at reasonable prices. UNIQLO’s name comes from the words “Unique Clothing.” It is a distinct brand with a wide competitive set including Gap and Primark at the basics end and Zara at a more premium level. The company operates in a space which is not only crowded in terms of competing retailers, but also in the context of marketing messages trying to target similar consumer segments. As a result, the company’s marketing team works hard to get its message across. Marketing innovations such as the Uniqlock and the Loop are useful in helping to build communities and raise the presence of the UNIQLO brand.

The company's vision is to become the world's number one casual clothing brand. One key element of this vision is the establishment of a significant, growing, and profitable overseas business. The first UNIQLO international store opened in the United Kingdom in 2001. By August 2016, UNIQLO International constituted approximately 45% of total UNIQLO sales, with 958 stores (versus 837 stores in Japan). Typical store size is 1,600 square meters, roughly, 16,160 square feet. Flagship stores are larger and these are located in key urban locations. At the beginning of 2017, UNIQLO was present in seventeen countries including Japan, and offered online shopping and shipping to many more, even those where there were no UNIQLO stores.

The founder and Chairman of UNIQLO, Tadashi Yanai, and the richest man in Japan, understands that "we cannot win a dominant position in global markets simply by imitating other companies. Instead, true to our unique clothing concept, we seek to create clothes of the future with the potential to change the world."¹³ This outsized philosophy is echoed in the company's mission statement: "To create truly great clothing with new and unique value, and to enable people all over the world to experience the joy, happiness and satisfaction of wearing such great clothes."

UNIQLO's global expansion has encountered some failures. In 2001, the first overseas UNIQLO outlets were opened in Shanghai and shortly after, four more in London UK. The retailer set its sights on capturing customers in the United States and the United Kingdom, but a year-and-a-half of poor sales later most of the new stores were closed. Tadashi Yanai told CNN several years later that the number one reason behind such a disappointing international performance was UNIQLO's lack of brand recognition.

At present, UNIQLO has successfully established a unique strategic positioning in the apparel industry in most countries of operation. It provides basic items as "components" to be arranged with other components by the customers, yet offers high-quality items at an extremely low price. The diversity of shoppers attracted to UNIQLO reflects its meticulous engineering. Mass allure permeates UNIQLO's brand, underscored by its tagline, "Made for All." UNIQLO offers colorful, logo-free designs that appeal to a wide range of



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consumers but this does not mean that everyone likes UNIQLO's clothing. The brand aims to design low-cost garments with high-fashion sensibility, yielding clothes that can complement both a faded pair of jeans and a designer coat. UNIQLO disguises the limited variety of products it makes by offering them in almost every color imaginable. "We have much fewer styles," says Odake, "especially when you compare us with companies like H&M or Topshop or Zara. That's the secret of why we can get better quality. We try to consolidate the fabric buys as much as possible. H&M sales are bigger, but we have bigger orders. We take huge quantities, and we have negotiation power."¹⁴

Patrons of UNIQLO often describe its clothing as classic, comfortable, wearable, and high quality sold at reasonable prices. UNIQLO draws people attracted by its specialized products, such as lightweight jackets and T-shirts that are designed to provide extra warmth in winter. However, not everybody buys UNIQLO, and the company needs to carefully select appropriate segments of consumers to target.

1. Discuss how issues of culture, language, climate, and religion would affect marketing programs for UNIQLO clothes in international markets.
2. Which segments should UNQILO target to avoid failure in new markets?
3. How could UNIQLO market its clothes to local and global consumers?
4. What potential market segments can you identify from the information provided in this case?
5. Would there be a market for bottom-of-the-pyramid customers? Why or why not?