

## Module 3

# Planning and Research in International Markets

## Introduction

This module covers the following themes:

- Product and market selection process
- Planning and researching for international markets
  - Pitfalls in foreign market assessment
  - A framework for assessing foreign markets
  - Guidelines for market research in assessing international markets
  - Introduction to different secondary sources of information
  - Forecasting market potential

Upon completion of this module you will be able to:

- *discuss* the aspects of segmentation and the process of matching products and markets.
- *describe and conduct* the preliminary study/feasibility study to understand market attractiveness.
- *explain and apply* the process of international marketing research.
- *discuss and avoid* pitfalls in conducting research.
- *describe and apply* gains and outcomes of research



### Outcomes



### Terminology

Demographic:	The size, structure, and distribution of a population.
Psychographics:	An operational technique of measuring lifestyles that can be used with the large samples needed for defining market segments.
Concentrated Marketing:	The target strategy that calls for creating a marketing mix to reach a niche segment of consumers.



Market Segment:	Dividing a market into distinct groups of consumers who have different needs, characteristics, or behaviour, and who may require different products or marketing mix programmes.
Targeting:	The process of evaluating each market segment's attractiveness and selecting one or more segments to serve.
Positioning:	Marketers' activities designed for a product to occupy a clear, distinctive, and desirable place in the minds of target consumers.

## Lesson notes<sup>9</sup>

One of the major challenges for the modern marketer remains the identification of which markets to enter and with what kind of product mix. Sometimes marketers think that the sheer size of the market is enough to give them reasons to enter. However, such estimates can be deceptive. Often the geographical diversity or the cultural diversity may become deterrents for the company. Take for instance, the China and the India story. The population and the geographical expanse of these destinations often lead international marketers to consider them as attractive destinations. But, it can be a mirage, often leading to wrong estimations or even a lack of basic understanding of cultural and social issues. The KFC (Kentucky Fried Chicken) story in India is one such example of how marketers sometimes get their estimation horribly wrong. Often, marketers' ethnocentric approach to operating in the host country and the air of superiority that flows from it could become a reason for frequent wrongful estimations. It is therefore critical for marketers to assess and research the market well before physically setting foot. For SMEs, the context is even more important as the limited resources and access issues for them add to the risk associated with market entry.

The global environment must be analysed before a company pursues expansion into new geographic markets. Through global market segmentation, a company can identify and group customers or countries according to common needs and wants. Demographic segmentation can be based on country income and population, age, ethnic heritage, or other variables. Psychographic segmentation groups people according to attitudes, values, and lifestyles. BSB's Global Scan, DMBB's Euroconsumer Study, and Young & Rubicam's 4Cs are examples of proprietary psychographic segmentation studies prepared by advertising agencies for their global clients. Behavioural characteristics such as user

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<sup>9</sup> As a Participant in the programme, you are encouraged to read the article, *Evaluating International Markets: The importance of information by industry, by country of destination, and by type of export transaction* by Van R. Wood and Kim R. Robertson, *International Marketing Review*, Year: 2000 Volume: 17 Issue:1 Pages: 34-55

status and usage rate are also used as segmentation variables. Segmentation can also be based on the benefits sought by buyers.

After marketers have identified segments, the next step is targeting: the identified groups are evaluated and compared, and one or more target segments with the greatest potential are selected from among them. The groups are evaluated on the basis of several factors, including segment size and growth potential, competition, compatibility and feasibility. After evaluating the identified segments, marketers must decide on an appropriate targeting strategy. The three basic categories of global target marketing strategies are standardised marketing, concentrated (niche) marketing, and differentiated (multi-segment) marketing.

Positioning a product or brand in the minds of targeted customers can be accomplished in various ways. Attribute or benefit, quality and price, use or user, and a company's competition can all serve as the basis for a strong positioning strategy. For Global Marketing, global consumer culture positioning (GCCP), foreign consumer culture positioning (FCCP), and local consumer culture positioning (LCCP) are additional strategic options.

Information is one of the most basic ingredients of a successful marketing strategy. A management information system provides decision makers with continuous flow of information. Interactive technology is profoundly affecting Global Marketing activities by allowing managers to access, analyse and manipulate data to assist in decision making. Electronic data interchange, efficient consumer response, and data warehouses are some of the tools and techniques available to marketers today. Global marketer must scan the world for information about opportunities and threats and make information available via a management information system. Market scanning can be accomplished by keeping in touch with an area of information via surveillance or actively seeking out information via research. Information can be obtained from human and documentary sources or from direct perception.

Formal research is often required before specific marketing decisions can be made. The research process begins when marketers define the problem and set research objectives; this step may entail assessing whether a particular market should be classified as latent or incipient. A research plan specifies the relative amount of qualitative and quantitative information that will be required, using primary or secondary data sources. In today's wired world, the Internet has taken its place alongside more traditional channels as an important secondary information source. In some instances, the cost of collecting primary data may outweigh the potential benefits. Secondary sources are especially useful for researching a market that is too small to justify a large commitment of time and money. If collection of primary data is justified on a cost-benefit basis, research can be conducted via surveys, personal interviews, consumer panels, observation, and focus groups.

Before collecting data, researchers must determine whether a probability sample is required. In Global Marketing, careful attention must be paid to issues such as eliminating cultural bias in research, accurately translating survey instruments, and ensuring data comparability in different markets. A number of techniques for analysing data, including demand pattern



analysis, income elasticity measurements, estimation by analogy, comparative analysis, and cluster analysis are used in international marketing research. Research findings and recommendations must be presented clearly. A final issue is how much control headquarters will have over research and the overall management of the organisation's information system. To ensure comparability of data, the researcher should utilise both emic and etic approaches.

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## Reading: Chapters 6 and 7



Reading

### Keegan Chapters 6 and 7

You should now read Chapters 6 and 7 of the Keegan text (Global Marketing, 4<sup>th</sup> edition).



Note it!

In applying your knowledge of this material, you should take note of the following:

- The first aspect of the chapter deals with the **Global Marketing information systems**. This is an internal mechanism of how organisations are involved in the process of gathering continuous information. Participants to the programme must understand how global companies lay the foundations for a strong Management Information System (MIS). Use of technology and integrating them into their departmental feedback mechanism are critical.
- **Research is of prime importance** for Global Marketing. The dichotomy in the markets and the uncertainty of the environment can largely be reduced through the set-up of a strong mechanism of research. The difference between Global Marketing and domestic marketing research is largely related to geography, people and their culture. This heterogeneity can be captured through a well-established research network.
- When researching any market, **marketers must know** where to go to obtain information, what subject areas to investigate and the information to look for, the different ways information can be acquired, and the various analysis approaches that will yield important insights and understanding. Market information today has become available on the Internet. Even so, marketers need to understand that information technology and marketing information systems are strategic assets. Second, they need a framework for information scanning and opportunity identification. Third, they require a general understanding of the formal market research process. Finally, they should know how to manage the marketing information collection system and how to apply the marketing research effort for informed decision making.

- MTV's worldwide success is a convincing example of the power of superior global market segmentation and targeting, as discussed in chapter 7. **Market segmentation** represents an effort to identify and categorise groups of customers and countries according to common characteristics. Targeting is the process of evaluating the segments and focusing marketing efforts on a country, region, or group of people that has significant potential to respond. Such targeting reflects the reality that a company should identify those consumers it can reach most effectively and efficiently. Finally, proper positioning is required to influence the perceptions of target customers. Global markets can be segmented according to buyer category, gender, age, and other criteria. These activities serve as the link between market needs and wants and specific decisions on the part of company management to develop products that meet the specific needs of one or more segments. Segmentation, targeting, and positioning are all examined in this chapter.

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## Activity 3.1



### Activity

The Japanese Keiretsu and Korean Chaebol organisations prevalent in Japan and Korea, respectively, represent somewhat unique and culturally defined business organisational structures. Using the Internet or other library resources, investigate these structures and develop a comparative table of the features that define both organisational structures and how they impact upon international trade for their respective countries.

Share your comments and observations with your class colleagues and instructor.



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## Summary



### Summary

In this module, you learned:

- The aspects of segmentation, targeting and positioning strategies to match products offered by a firm and its desired target segment.
- That a consumer market could be differentiated by careful analysis of market segments, and therefore, successfully dividing segments according to its characteristics.
- The different methods of segmentation; demographic, behavioural, usage, needs and psychographic.
- How marketing research is done to understand market attractiveness prior to entry.
- The challenges, pitfalls, gains and outcomes of marketing research.

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## Assignment



### Assignment

#### Case Study: Nokia Segments the Global Cellphone Market

Read through the case study entitled, *Nokia Segments the Global Cellphone Market* on pages 259-260 in your Keegan text and respond to the following questions:

1. How does Nokia segment the market for cell phones?
2. What factors were paramount in Nokia's decision to enter the game-playing market?
3. Evaluate the appropriateness of Nokia's marketing programme for the N-Gage in terms of the desired target market.

Submit your responses to the case study questions to your instructor or tutor for evaluation.

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## Assessment



### Assessment

1. Compare and contrast standardised, concentrated, and differentiated Global Marketing. Illustrate each strategy with an example from a global company.
2. How can a company review current and potential product offerings in terms of suitability for the country market or segment?
3. What are the different modes of information acquisition? Which is the most important mode for gathering strategic information?
4. What issues do marketers need to address as they proceed to the data collection step?
5. Outline the basic steps of the market research process.