Global Marketing

WARREN J. KEEGAN   MARK C. GREEN

Ninth Edition, Global Edition

Segmentation, Targeting, and Positioning

Chapter 7

Learning Objectives

1. Identify the variables that global marketers can use to segment global markets and give an example of each.

2. Explain the criteria that global marketers use to choose specific markets to target.

3. Understand how global marketers use a product-market grid to make targeting decisions.

4. Compare and contrast the three main target market strategy options.

5. Describe the various positioning options available to global marketers.

Global Market Segmentation

- The process of dividing the world market into distinct subsets of customers that have similar needs (for example, country groups or individual interest groups).

- **Pluralization of Consumption** or **segment simultaneity** theory was advanced by Professor Theodore Levitt 4 decades ago stating that consumers seek variety and new segments will appear in many national markets. i.e., sushi, pizza

Global Market Segmentation

Types of segmentation methods

- Demographic segmentation

- Psychographic segmentation

- Behavior segmentation

- Benefit segmentation

Geographic Segmentation

- Dividing the world into geographic subgroups

- The advantage of geography is proximity

- However, just because people are in close proximity does not mean they are similar

Demographic Segmentation

- Based on measurable population characteristics
  - Age
  - Income
  - Gender
  - Age distribution
  - Education
  - Occupation
- Generally, national income is the most important variable

Demographic Segmentation

- 500 million Asian consumers aged 16 and younger
- India has the youngest demographic profile among the world's large nations; half are younger than 25, 14 yr. olds & younger equal the entire U.S. population
- Half of Japanese will be 50+ yrs. by 2025
- 20% of Americans (70 million) will be 65+ by 2030
- U.S. Ethnic groups—African/Black, Hispanics, & Asian Americans have a combined annual buying power of $233 billion

Income & Population Segmentation

- 2/3 world GNI in the Triad, 12% o population

- Don't use income as the only variable for assessing market opportunity

- Use Purchasing Power Parity

- Do not read into the numbers
  - Some services are free in developing nations so there is more purchasing power

- For products with low enough price, population is a more important variable

Market Segments by Income & Population
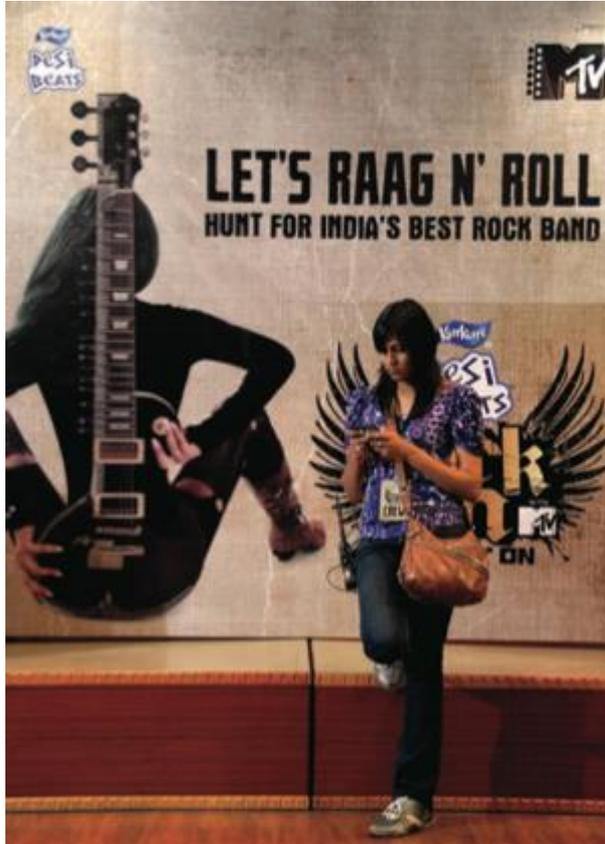
- **Global Teens**-12 and 19 yr. olds

  "A group of teenagers randomly chosen from different parts of the world will share many of the same tastes."

- **Global Elite**–affluent consumers who are well traveled and have the money to spend on prestigious products with an image of exclusivity

Gender Segmentation

- Gender segmentation is an obvious choice for some companies

- Fashion designers & cosmetic companies focus on women but may also offer men's products

  - Nike is opening shops for women
  - Levi Strauss opened Levis for Girls in Paris

Psychographic Segmentation

- Based on attitudes, values and lifestyle
- Lifestyle surveys
  – SRI International's Values and Life Styles, VALS & VALS 2
- Porsche example
  – Top Guns (27%): Ambition, power, control
  – Elitists (24%): Old money, car is just a car
  – Proud Patrons (23%): Car is reward for hard work
  – Bon Vivants (17%): Car is for excitement, adventure
  – Fantasists (9%): Car is form of escape

Euroconsumers

- **The Euroconsumer:**
  - **Successful Idealists**–5% to 20% of the population; consists of persons who have achieved professional and material success while maintaining commitment to abstract or socially responsible ideals
  - **Affluent Materialists**–Status-conscious 'up-and-comers' – many of whom are business professionals – use conspicuous consumption to communicate their success to others

Euroconsumers

- **Comfortable Belongers**
  - 25% to 50% of a country's population
  - conservative
  - most comfortable with the familiar
  - content with the comfort of home, family, friends, and community

- **Disaffected Survivors**
  - lack power and affluence
  - harbor little hope for upward mobility
  - tend to be either resentful or resigned
  - concentrated in high-crime urban inner city
  - attitudes tend to affect the rest of society

Behavior Segmentation

- Focus on whether people purchase a product or not, how much, and how often they use it

- User status

- **80/2 Rule or Law of Disproportionality or Pareto's Law**–80% of a company's revenues are accounted for by 20% of the customers

Benefit Segmentation

- Benefit segmentation focuses on the value equation
  - Value=Benefits/Price
- Based on understanding the problem a product solves, the benefit it offers, or the issue it addresses

Ethnic Segmentation

- The population of many countries includes ethnic groups of significant size

- Three main groups in the U.S. include African-Americans, Asian-Americans, and Hispanic Americans

- Hispanic Americans
  - 50 million Hispanic Americans (14% of total pop.) with $978 billion annual buying power
  - "$1 trillion Latina" 24 million Hispanic women: 42% single, 35% HOH, 54% working

Assessing Market Potential

- Be mindful of the pitfalls
  - Tendency to overstate the size and short-term attractiveness of individual country markets
  - The company does not want to 'miss out' on a strategic opportunity
  - Management's network of contacts will emerge as a primary criterion for targeting

Assessing Market Potential

- Three basic criteria:
  - Current size of the segment and anticipated growth potential
  - Potential competition
  - Compatibility with company's overall objectives and the feasibility of successfully reaching the target audience

Criteria for Targeting

- Current size of the segment and growth potential
- Potential competition
- Compatibility and feasibility

Current Segment Size & Growth

- Is the market segment currently large enough to present a company with the opportunity to make a profit?

- If the answer is 'no,' does it have significant growth potential to make it attractive in terms of a company's long-term strategy?
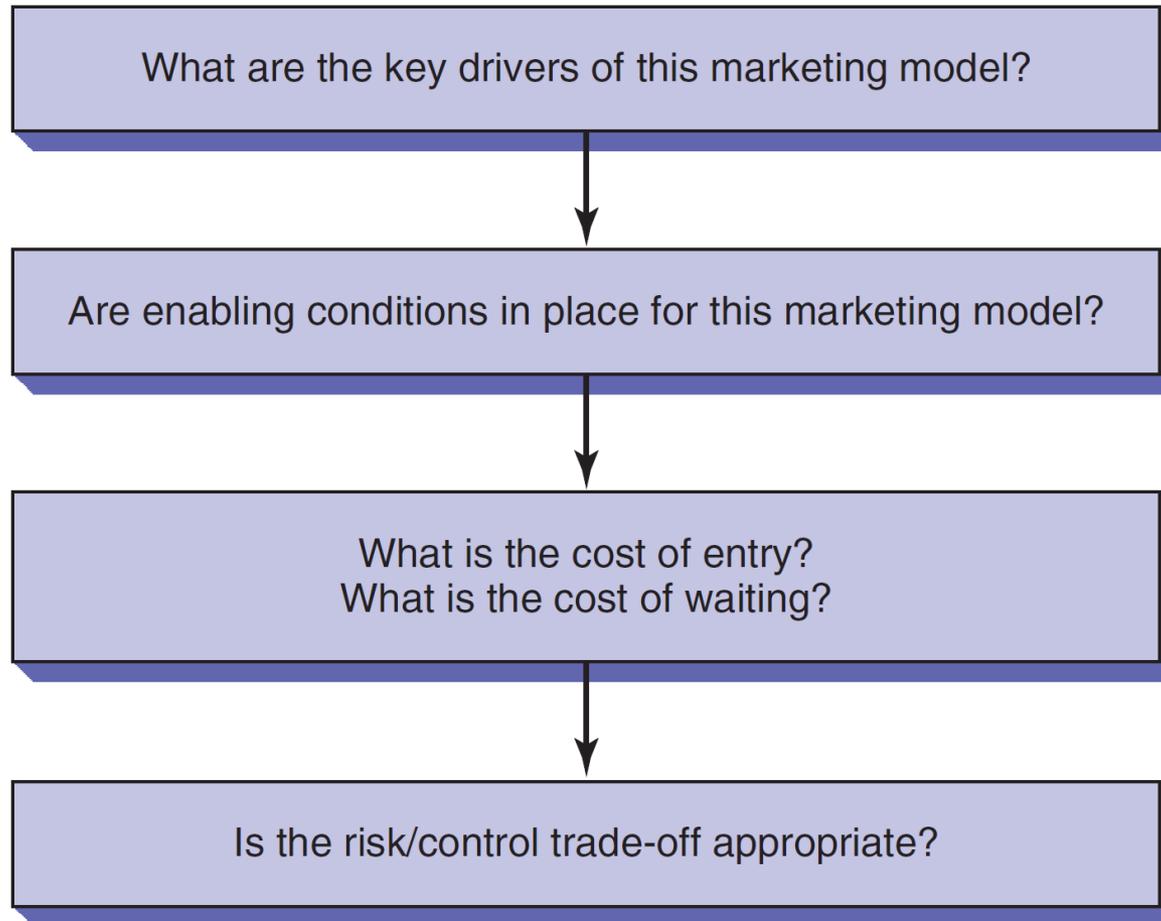
Potential Competition

Only 1 % of Chinese have credit cards.

- Is there currently strong competition in the market segment?

- Is the competition vulnerable in terms of price or quality?

Feasibility and Compatibility

- Will adaptation be required? If so, is this economically justifiable in terms of expected sales?

- Will import restrictions, high tariffs, or a strong home country currency drive up the price of the product in the target market currency and effectively dampen demand?

Framework for Selecting Target Markets

What are the key drivers of this marketing model?

↓

Are enabling conditions in place for this marketing model?

↓

What is the cost of entry?
What is the cost of waiting?

↓

Is the risk/control trade-off appropriate?

9 Questions for Creating a Product-Market Profile

- Who buys our product?
- Who does not buy it?
- What need or function does it serve?
- Is there a market need that is not being met by current product/brand offerings?
- What problem does our product solve?
- What are customers buying to satisfy the need for which our product is targeted?
- What price are they paying?
- When is the product purchased?
- Where is it purchased

Product-Market Decisions

- Review current and potential products for best match for country markets or segments

- Create a matrix with countries and products to help with analysis

Target Market Strategy Options

- **Standardized Global Marketing or** Undifferentiated target marketing

  - Mass marketing on a global scale
  - Standardized marketing mix
  - Minimal product adaptation
  - Intensive distribution
  - Lower production costs
  - Lower communication costs

Target Market Strategy Options

- **Concentrated Global Marketing**
  - Niche marketing
  - Single segment of global market
  - Look for global depth rather than national breadth
  - Ex.: Chanel, Estee Lauder

- **Differentiated Global Marketing**
  - Multi-segment targeting
  - Two or more distinct markets
  - Wider market coverage
  - Ex.: P&G markets Old Spice and Hugo Boss for Men

Positioning

- Locating a brand in consumers' minds over and against competitors in terms of attributes and benefits that the brand does and does not offer
  - Attribute or Benefit
  - Quality and Price
  - Use or User
  - Competition

Positioning

- **Attribute or Benefit**
  - Economy
  - Reliability
  - Durability

- BMW: The Ultimate Driving Machine or

  Visa: It's Everywhere You Want To Be
- Foreign Consumer Culture Positioning: Focus on import benefits

- **Quality and Price**
  - Continuum from high price/quality and high price to good value

- Stella Artois beer: Reassuring Expensive

- FCCP: Grey Goose (France), Ketel One (the Netherlands)

Positioning

- **Use or User**
  - Associates the brand with a user or class of users

- Max Factor: The makeup that makeup artists use

- **Competition**
  - Implicit or explicit reference to competition

- Dove: Campaign for Real Beauty
  - 2% of women worldwide think they are beautiful
  - New definition of beauty

Positioning Strategies

- **Global consumer culture positioning**
  - Identifies the brand as a symbol of a particular global culture or segment
  - High-touch and high-tech products

- **Foreign consumer culture positioning**
  - Associates the brand's users, use occasions, or product origins with a foreign country or culture

- **Local consumer culture positioning**
  - Identifies with local cultural meanings
  - Consumed by local people
  - Locally produced for local people
  - Used frequently for food, personal, and household nondurables
  - Ex.: Budweiser is identified with small-town America