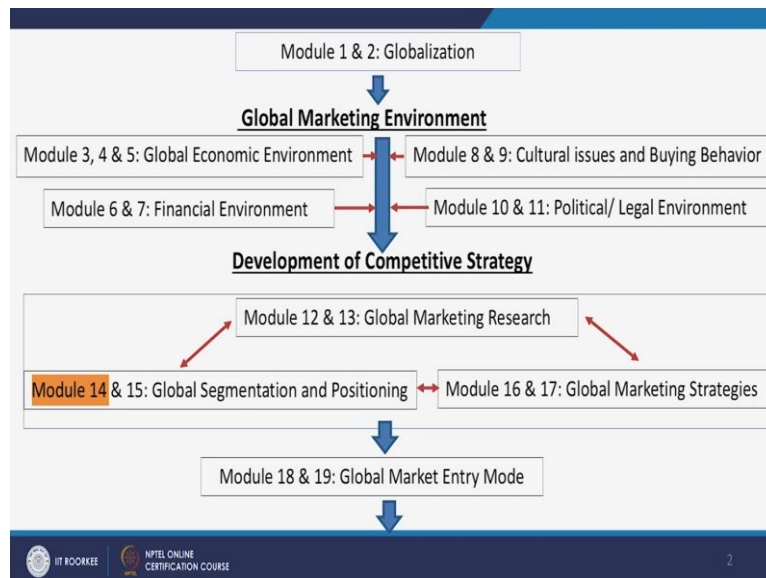


Global Marketing Management
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Module - 3
Lecture - 14
Global Segmentation and Positioning - Part I

Welcome to this course on Global Marketing Management. And we are talking about development of competitive strategy after having gathered in all the information through global marketing research in module 12 and 13, we are now ready to go about doing the segmentation targeting and positioning.

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So, this global segmentation targeting and positioning is spread over module 14 and 15. Let us start with module 14 and see what we will talk about in this module 14. So, we will be talking about reasons for international marketing segmentation.

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Module Overview

1. Introduction
2. Reasons for International Market Segmentation
3. International Market Segmentation Approaches
4. Segmentation Scenarios

So, reasons are more are somewhat similar to that of the reasons for in domestic market segmentation. Then there are various international marketing segmentation approaches and the segmentation scenarios. So, there are lots of similarities in international marketing segmentation with that of domestic market segmentation. But there are some significant differences also.

So, this is what we are talking about today. Now, as you have studied in your earlier marketing management course, the prime reason for segmentation is the variation consumer needs. And most companies will identify and target the most attractive market segment they can effectively search.

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Introduction

- Variation in customer needs is the primary motive for market segmentation.
- Most companies will identify and target the most attractive market segments that they can effectively serve.
- In global marketing, market segmentation becomes especially critical because of wide divergence in cross-border consumer needs and lifestyles.
- **Example:** Variation in choice of pizza- loving customers globally.
 - In **France:** Domino's serves pizza with goat cheese and strips of pork fat.
 - In **Taiwan:** Toppings include squid, crab, shrimp, and pineapple.
 - In **Brazil:** Customers can order their pizza with mashed bananas and cinnamon.

So, they segment the market basic based on consumer needs and pick those markets as targets which they can serve more effectively. And in global marketing, market segmentation becomes especially important because of wide differences, wide divergence in cross-border consumer needs and lifestyle. So, whether in domestic market, within the country marketing it is also, segmentation is important thing.

But in global marketing, it becomes much more important because there are wide differences, wide divergence in cross-border consumer needs and lifestyles. For example, variation in choice of pizza-loving customers globally. In France, Domino's serves pizza with goat cheese and strips of pork fat. In Taiwan, they serve toppings that include squid, crab, shrimp and pineapple. In Brazil, customers can order their pizza with mashed bananas and cinnamon.

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Market Segmentation	
Market	People or organizations with needs or wants and the ability and willingness to buy.
Market Segment	A subgroup of people or organizations sharing one or more characteristics that cause them to have similar product needs.
Market Segmentation	The process of dividing a market into meaningful, relatively similar, identifiable segments or groups.

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Let us try to understand the differences between market, market segments and market segmentation. So, markets are people or organization with needs or wants and the ability and willingness to buy. The market segment is a subgroup of people or organization sharing 1 or more characteristics that causes them to have similar product needs. While market segmentation is the process of dividing a market into meaningful, relatively similar, identifiable segments or groups.

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Concept of Market Segmentation

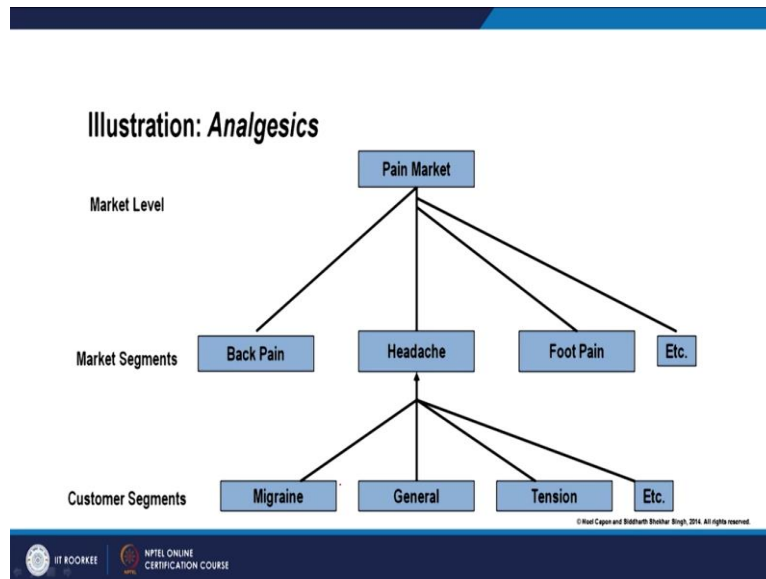


Now, look at this pictures to understand the concept of market segmentation. Now, you see that, here there are different kind of people. There are males and females and old and young and whites and blacks. So, all of them they put they come together in an, in this case there are no market segments. Now, in this figure, the market is fully segmented. So, you have young and you have old, you have blacks and you have whites and you have females and you have males.

So, each one is a different segment. Each individual is a different segment. So, this is a fully segmented market. In this figure, the market segmentation is by is based on the gender. That is, the male and the female. So, these 3 females in middle, they constitute 1 segment. And these 4 males outside, they constitute another segment. In this fourth figure, the market segmentation is on the basis of age groups.

So, there are different kinds of age groups. So, this is 1 segment. And these 3, they are in similar age groups. So, they constitute the second segment. These 2, they are oldies. So, they are the third kind of market segment. And in this, the fifth figure, the fifth picture, the market segment is by gender and age group. So, these 2 females, they are 1 segment, these 2 males, they are they these are another segment, this 1 female is 1 segment. And then, there are these other segments.

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Now, let us look at this example. The market level is the pain market. The segments are different. For example, back pain, headaches, foot pain, etcetera. And then the customer segments maybe, for head, for even for headache there can be different kind of customer segments. For example, migraine and general headache, and headache because of tension, etcetera.

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Global Market Segmentation

Definition:

The process of identifying specific segments-whether they be **country groups** or **individual consumer groups**- of potential customers with homogeneous attributes who are likely to exhibit similar responses to a company's marketing mix.)

- It is based on the premise that companies should attempt to identify consumers in different countries who share similar needs and desires.
- Global companies use market segmentation to **identify, define, understand, and respond** to customer wants and needs on a worldwide, rather than ~~strictly local~~, basis.

domestic marketing

Let us look at the definition of global market segmentation. The process, it is the process of identifying specific segments, whether they be country groups or individual customer groups. So, the group of countries can be 1 segment or individual customer groups within the country can be can get another segment of potential customers with homogeneous attributes who are likely to exhibit similar responses to the company's marketing mix.

So, the whole idea of segmentation is that, we are looking at group of people who will exhibit similar marketing responses to our marketing mix. So, it is based on the premise that company should attempt to identify consumers in different countries who share similar needs and desires. So, we are looking at the group of consumers across countries who share similar needs and desires.

Global companies use market segmentation to identify, define, understand and respond to customer wants and needs on a worldwide, rather than strictly local basis. So, when they are doing that for strictly local bases, it becomes domestic marketing. And when they are doing this for, at the global level, it becomes global marketing.

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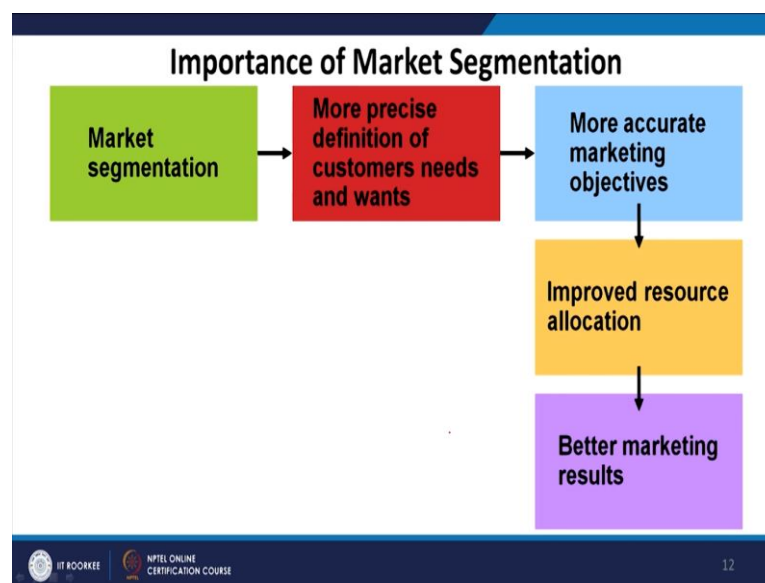
Contrasting Views of Global Segmentation	
Conventional Wisdom	Unconventional Wisdom
1. Assumes heterogeneity between countries.]	1. Assumes the emergence of segments that transcend national boundaries.
2. Assumes homogeneity within any given country.	2. Acknowledges the existence of within country differences.
3. Focuses heavily on cultural differences at a macro level.	3. Emphasizes differences and commonalities in micro-level values, consumption patterns, etc.
4. Segmentation relies heavily on clustering of national markets.	4. Segmentation relies on grouping micro markets within a country or between countries.

And there are contrasting views of global segmentation. On the left hand side, we I will give the conventional view and on the right hand side, I will give the unconventional wisdom. So, the conventional wisdom; the first is, it assumes heterogeneity between countries. But, the unconventional wisdom, it assumes the emergence of segments that cut across, transcends national borders.

So, here it assumes the head that the countries are different. Here it assumes that there may be segments which are similar across countries. It assumes homogeneity within any given country. So, here it is, the assumption is that the countries will be different. The countries will be different but within the country they are the same. But, the unconventional wisdom acknowledges the existence of within country differences.

So, they also acknowledge that within the country there are differences. The third is, it focuses heavily on cultural differences at the macro level, while in unconventional wisdom, emphasis, it emphasizes differences and commonalities at micro level values, consumption patterns, etcetera. The fourth is segmentation relies heavily on clustering of national markets, while the unconventional wisdom is that the segmentation relies on grouping micro markets within a country or between countries. So, it is not a only within the country, but micro market across various countries. So, similar looking micro markets may exist across countries.

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Now, look at what is the importance of market segmentation. It gives you a more precise definition of customer needs and wants and which in turn helps coming up defining the marketing objectives more accurately, because the object marketing objectives are defined more accurately. So, that leads to improved resource allocation; and therefore, better marketing results.

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Market Segmentation

- Segments ideally should possess the following set of properties:
 - Substantial
 - Identifiable
 - Measurable
 - Accessible
 - Responsive

Now, what should a segment look like? What should be, what are the characteristics of a market segment? Should we, can we call 2 people as a market segment or should we call 1000 people as a market segment? So, there is no number that decides what constitutes a segment. But there are certain characteristics that define what are the segments, what constitutes, what will make a segment as appropriate market segment. And the properties are that it should be substantial, identifiable, measurable, accessible and responsive.

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Market Segmentation	
Substantiality	Segment must be large enough to warrant a special marketing mix.
Identifiability and Measurability	Segments must be identifiable and their size measurable.
Accessibility	Members of targeted segments must be reachable with marketing mix.
Responsiveness	Unless segment responds to a marketing mix differently, no separate treatment is needed.

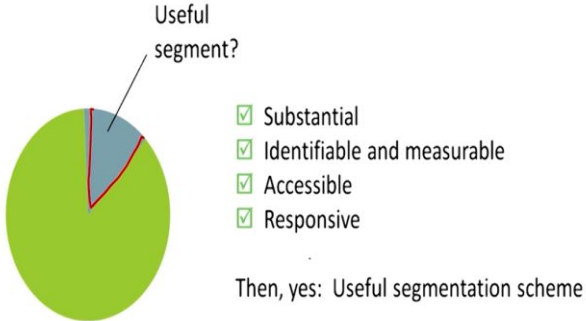
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Now, let us see each of these characteristics in some detail. What does substantiability substantiality means? So, segment should be large enough to attract a special marketing mix. They should be identifiable and measurable. That is, segments, the company should be able to identify the market segments, 1. And their size is measurable. Accessibility means that the company is able to reach the target markets by way, through its marketing mix.

Responsiveness is that the market segment should respond to marketing mix. Otherwise, there is no need for a separate treatment.

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Successful Market Segmentation



- Substantial
- Identifiable and measurable
- Accessible
- Responsive

Then, yes: Useful segmentation scheme

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So, this is a useful segment because it is substantial, identifiable and measurable, accessible and responsive. So, if the, all if answers to all this things is yes, then it is a useful segmentation scheme.

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Reasons for International Market Segmentation

- Country Screening
- Global Market Research
- Entry Decisions
- Positioning Strategy
- Resource Allocation
- Marketing Mix Policy
 - Balance between standardization and customization

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Now, why do, why what are the reasons for international market segmentation? The first is, country screening, global marketing research, entry decisions, positioning strategy, resource allocation and marketing mix policy. That is, the balance between standardization and customization. Let us look at each one of them. So, what is country screening?

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Reasons for International Market Segmentation

Country Screening:

- ✓ Companies usually do a preliminary screening of countries before identifying attractive market opportunities for their products or services.
- ✓ Companies will use different sets of criteria to screen countries, depending on the nature of the product.
- ✓ Cultural similarity to the domestic market is one criterion on which companies often rely. (CSRC)
- ✓ Other screening criteria include market attractiveness, geographic proximity and infrastructure.

Company usually do a preliminary screening of countries before identifying attractive market opportunities for their products or services. As we have seen in the last module on marketing research that they come up with, they want to know the estimate of the market in which they want to enter. So, that is why there is a need to do preliminary screening of countries before they identify attractive market opportunities for their product and service.

If there are, a country comes in that pass through that preliminary screening stage, then it will go to the next stage, otherwise it is put to rest. Companies will use different site set of criterias to screen countries depending on the nature of the product. So, there is no one criteria for screening of this country depending upon the nature of your product, then the company needs to choose different set of criteria.

Cultural similarities to the domestic market is 1 criteria on which the companies often rely. And that is because of the self-reference criteria. So, cultural similarities to the domestic markets. So, what are the similarities of a foreign, of a host country with the home country based on culture. And there are other screening criteria includes market attractiveness, geographical proximity and infrastructure in that host country. Another reason is the global marketing research. Country segmentation also plays a role in global marketing research.

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Reasons for International Market Segmentation

Global Market Research:

- ✓ Country segmentation also plays a role in global marketing research.
- ✓ Companies increasingly make an effort to design products or services that meet the needs of customers in different countries.
- ✓ Certain features might need to be added or altered, but the core product is largely common across countries.



Companies increasingly make an effort to design products or services that meet the needs of customers in different countries. But, that may mean to add certain features or to delete certain features. But the core product is largely common across countries.

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Reasons for International Market Segmentation

Entry Decisions:

- ✓ When a product or service does well in one country, firms often hope to replicate their success in other countries.
- ✓ The logic is to launch the product in countries that in some regards are highly similar to the country where the product has already been introduced.

Example: Cadbury-Schweppes was very confident about launching its tonic water in Brazil, owing to its success in culturally similar Mexico.



Then, another reason for understanding international marketing segmentation is the entry decision. When a product or services service is doing well in 1 country, firms often hope to replicate the success in other country. So, when we are successful in home country, we should also be successful in other countries. The logic is to launch a product in countries that in some regard are highly similar to the country where the product has already been introduced.

For example, the home country. Another example is got the Cadbury-Schweppes was very confident about launching its tonic water in Brazil, owing to its success in culturally similar Mexico. Another reason is positioning. So, segmentation decisions are also instrumental in setting the company's product positioning strategy.

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Reasons for International Market Segmentation

Positioning Strategy:

- Segmentation decisions are also instrumental in setting the company's product positioning strategy.
- Once the firm has selected the target segments, management needs to develop a positioning strategy to embrace the chosen segments.
- Environmental changes or shifting consumer preferences often force a firm to rethink its positioning strategy.



Without segmentation, there can be no positioning. So, once the firm has selected the target markets, management needs to develop a positioning strategy to embrace the chosen segment. Environmental changes or shifting consumer preferences often force a company to rethink their positioning strategy. So, the idea here is that, because of environmental changes the segmentation segments the target segments may change. And therefore, the positioning may change. And also, we need to do international marketing segmentation for the purpose of resource allocation.

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Reasons for International Market Segmentation

Resource Allocation:

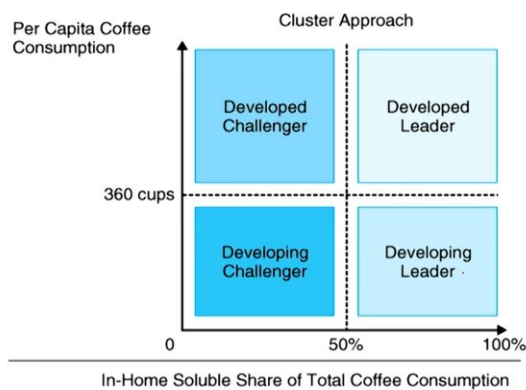
- ✓ Market segmentation will also be useful in deciding how to allocate the company's scarce marketing resources across countries.
- ✓ The figure shows how Nestle clusters countries using two criteria for Nescafe.
 - Per capita coffee consumption
 - Market share of in-home soluble coffee of overall coffee consumption.



So, market segmentations will also be useful in deciding how to allocate the company's scarce marketing resource across countries. So, the segments that are more profitable may attract more resources. So, the figure shows that, the coming figure will show how Nestle clusters countries using 2 criteria for Nescafe. So, the 1 criteria is per capita coffee consumption. Another is market share of in-home soluble coffee of overall coffee consumption.

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Market Clustering Approach for Instant Coffee



So, on the x-axis it is in-home soluble share of total coffee consumption. And on the y-axis that is per capita coffee consumption. So, this throw ups 4 cell. So, when the in-home soluble share of total coffee consumption is more than 50%. So, and when it is more than 360 cups, then it is called as a developed leader. When it is less than 360 cups, it is called as developing leader. When the in-home soluble share of total coffee consumption is less than 50% but

more than 360 cups, it is called as developed challenger. And when it is less than 360 cups it is called as developing challenger.

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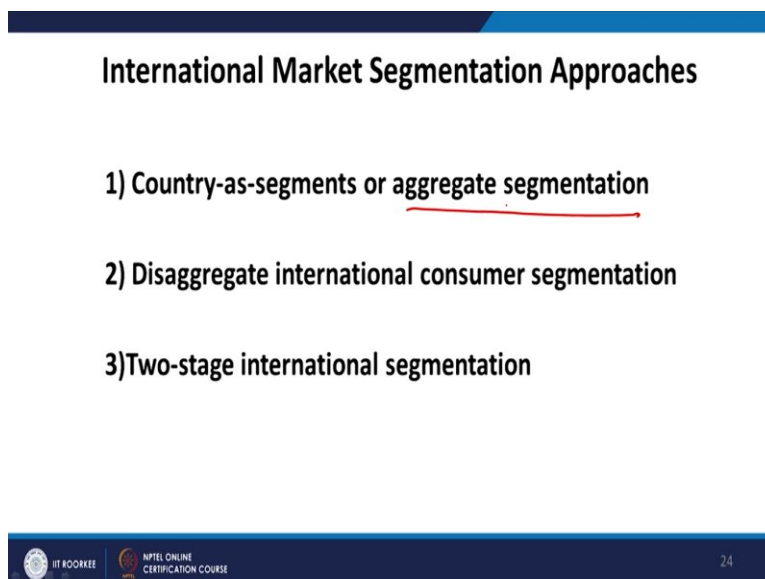
Reasons for International Market Segmentation

- **Marketing Mix Policy:**
 - ✓ Country segmentation also guides the global marketing mix decisions.
 - ✓ For instance international market segmentation can help to strike a balance between standardization and customization.
 - ✓ Countries belonging to the same segment might lend themselves to a standardized marketing mix strategy.

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Another reason to understand international market segmentation is that, it will help in your developing marketing mix policy. So, if the country segmentation will guide the global marketing mix decision. For instance, international marketing segmentation can help to strike a balance between standardization and customization. Countries belonging to the same segment might lend themselves to a standardized marketing mix strategy. And when you do international market segment; so there are 4 approaches for doing that. First is, the country-as-segments.

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International Market Segmentation Approaches

- 1) Country-as-segments or aggregate segmentation
- 2) Disaggregate international consumer segmentation
- 3) Two-stage international segmentation

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So, here we are taking country as a segment and this is called as aggregate segmentation. Another approach is disaggregate international consumer segmentation. So, this is aggregate and this is disaggregate. And the third one, that is a combination of the first 2, is two-stage international segmentation. Now, let us look at each one of them.

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International Market Segmentation Approaches

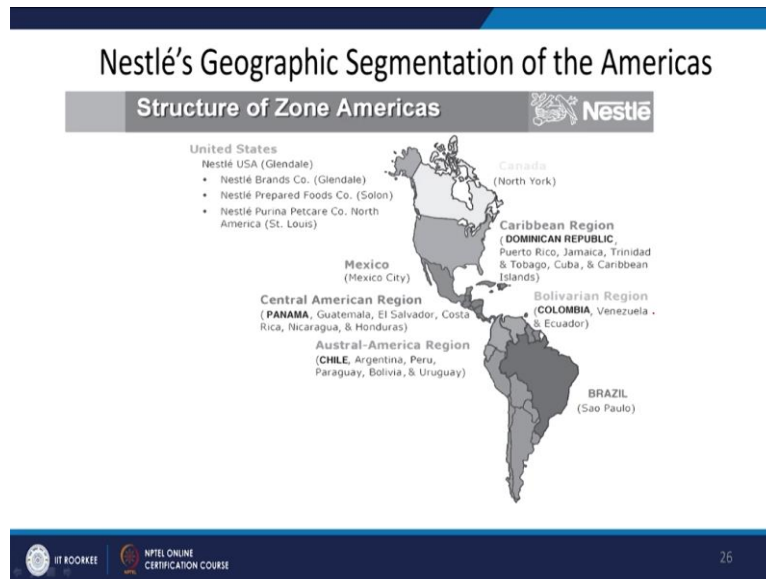
1) Country-as-segments or aggregate segmentation

- Standard country segmentation classifies prospect countries on a **single dimension** (e.g., per capita GNP) or on **multiple dimensions**— cultural, socioeconomic, and political criteria available from secondary data sources.(e.g., World Bank, UNESCO).
- For instance Swiss consumer conglomerate Nestle geographically segments the American continent.

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So, when we are following this approach of country-as-segment or aggregate-segmentation, then what happens is that the standard country segmentation will classify prospect countries on a single dimension, that is per capita GNP or per capita income or on multiple dimensions, social dimensions, socio economic, cultural dimensions, socioeconomic dimensions, political criteria that are available from secondary sources, for example the World Bank and UNESCO. For instance, the Swiss consumer conglomerate Nestle geographically segments the American continent.

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So, this is how they go about doing geographical geographic segmentation of America. So, the United States, Mexico, then there are Central American region and Austral-America region, Caribbean region and Bolivarian region. And so, this is how the 2 America's they look like for Nestle.

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Macro-Level Country Characteristics

Construct	Items
1. Aggregate production and transportation (mobility)	Number of air passengers/km Air cargo (ton/km) Number of newspapers Population Cars per capita Gasoline consumption per capita Electricity production
2. Health	Life expectancy Physicians per capita Political stability
3. Trade	Imports/GNP Exports/GNP
4. Lifestyle	GDP per capita Phones per capita Electricity consumption per capita
5. Cosmopolitanism	Foreign visitors per capita Tourist expenditures per capita Tourist receipts per capita
6. Miscellaneous	Consumer price index Newspaper circulation Hospital beds Education expenditures/ Government budget Graduate education in population per capita

Secondary sources

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Now, look at the macro-level country characteristics. 1 characteristic is aggregate production and transportation mobility. And what need to be looked at is are the number of air passengers per kilometer, air cargo ton per kilometer, number of newspapers sold, population, cars per capita, gasoline consumption per capita, electricity production. Then look at the health parameters; physician, life expectancy, physicians per capita.

And then look at the trade factors like political stability, imports per GNP, exports per GNP. So, these are the various characteristics that can be used for the purpose of segmentation. And all the, and most of this information may be readily available in the secondary sources.

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International Market Segmentation Approaches

- Country-as-segments or aggregate segmentation has some **major flaws**.
 - ✓The managerial relevance of geographic segments is often questionable.
 - ✓Country boundaries rarely define differences in consumer response to marketing strategies.
 - ✓It is seldom clear what variables should be included in deriving the geographic segments.

But this international marketing segmentation approach of country-as-segment or aggregate segmentation has some major flaws. The first is the managerial relevance of geographic segments is often questionable. Country boundaries rarely define differences in consumer responses to marketing strategy and the responses to marketing strategy may vary or maybe similar across countries. It is seldom clear what variable should be included in driving the geographic segments.

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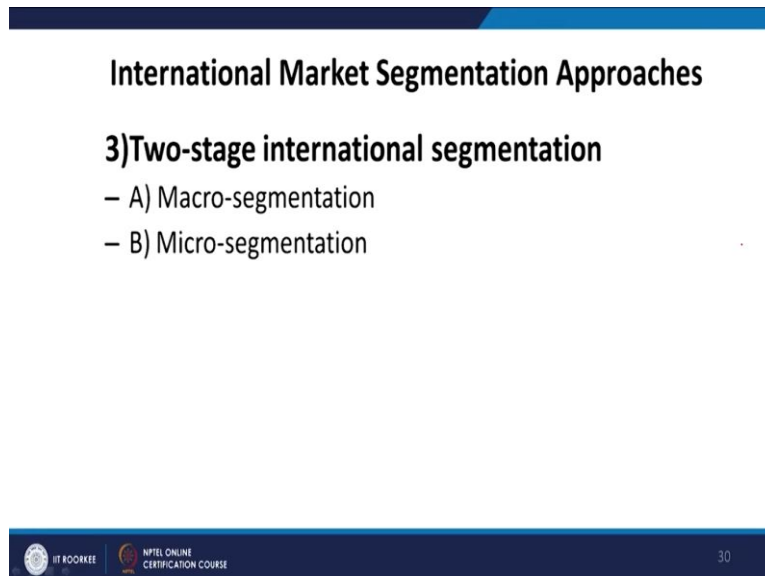
International Market Segmentation Approaches

- 2) **Disaggregate international consumer segmentation**
 - ✓Just as with domestic marketing, one or more segmentation bases(e.g., lifestyle, demographic, values) are chosen.
 - ✓Consumer segments are then identified in terms of consumer similarities with respect to the chosen bases.
 - ✓But a consumer segment that is geographically dispersed can become a logistical nightmare.

Another approach is disaggregate international consumer segmentation. Just as with domestic marketing, 1 or more segmentation basis, lifestyle, demographic or values, they are chosen. The consumer segments are then identified in terms of consumer similarities with respect to the chosen basis. But a consumer segment that is geography dispersed can be a logistical light nightmare.

For example, you have a similar kind of consumer segment, but they are geographically dispersed. So, then it becomes difficult to pay to do cater to those to that particular segment, because it is geographically spread out. The third approach is the 2 stage international segmentation.

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International Market Segmentation Approaches

3) Two-stage international segmentation

- A) Macro-segmentation
- B) Micro-segmentation

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The 2 stage, the first stage is macro-segmentation and the second stages micro-segmentation.

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International Market Segmentation Approaches

- **A) Macro-segmentation:**
- Countries are grouped on general segmentation bases, which can be **observable** (e.g., demographic, socioeconomic) or **unobservable** (e.g., lifestyle, values) traits.
- Also helps to screen out countries that are unacceptable (e.g., because of political risk etc.)



Macro-segmentation means, countries are grouped on general segmentation bases, which can be observable. That is, demographic or socioeconomic. Or they may be unobservable like lifestyles and value. They also helps to screen out countries that are unacceptable. That is because of political risk, etcetera. In micro-segmentation, it is similar to standardized segmentation, within a given country.

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International Market Segmentation Approaches

- B) Micro-segmentation**
- Is **similar** to standard segmentation within a given country **except** that most segments overlap across countries rather than being restricted to one particular country.
- Two stage segmentation has several benefits.
 - Compared to a purely geographic country-level aggregation, the segments will be **more responsive** to marketing efforts.
 - As opposed to disaggregate consumer segmentation, the derived segments will be **more accessible**.



Except that, most segments overlap across countries, rather than being restricted to 1 particular country. So, 2 state segmentation has several benefits. The first is that they can be compared to a purely geographical geographic country level aggregation. The segments will be more responsive to the marketing efforts. As opposed to disaggregate consumer segmentation, the derived segments maybe more accessible.

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Segmentation Scenarios

When a firm segments foreign markets, different scenarios may arise.

1) Universal or global segments:

A universal segment that transcends national boundaries.

Segment **A** (As shown in subsequent figure)

Example: Possible global segments that are emerging include **global youth, international business travellers, and global elite**

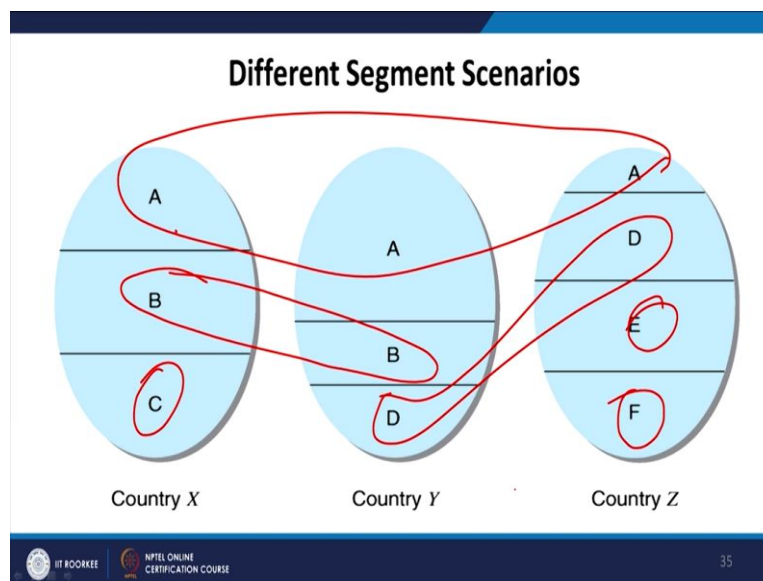
2) Regional segments:

Here the similarity in customer needs and preferences exists at the regional level rather than globally. Segment **B / D**



These are the various scenarios that come up when a firm segments foreign market. So, the different scenarios, the first scenario is the universal or global segment. So, when they have segmented the foreign markets, they may come up with a universal or global segment. A universal segment that cut across national boundaries, Segment A. So, we will look at the figure.

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This is segment A. Example is possible global segment that are emerging including global youth, international business travellers and global elite. Then, there can be certain regional segments. Here the similarity in customer needs and preferences exist at the regional level rather than the global level. So, these becomes regional segments. For example, B and D. So, you see the B, these the A that is a global segment is available in all these countries. Then this B constitute, B and D, they constitute regional segments.

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Segmentation Scenarios

3) **Unique (diverse) segments:**

- ✓ Are the norm when gaps in cross-country customer needs and preferences are so substantial that it becomes very hard to derive meaningful cross-border segments. Segment **C/E/F**
- ✓ Marketing mix must be localized to meet local customer needs.
- ✓ Canon developed three different marketing programs for its AE-1 camera.
 - In Japan: Targeted young replacement buyers.
 - In United States: Targeted Upscale first time buyers.
 - In Germany: Targeted Older & technologically sophisticated replacement buyers.

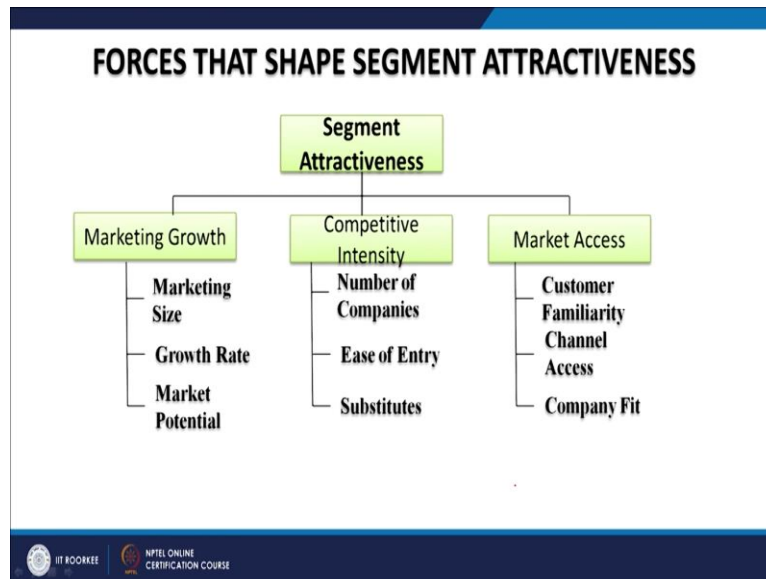
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And then, the third type of segment that may that may come up is the universe, unique or diverse segments. So, they are not common across countries. Are the norms when gaps in cross country customer needs and preferences are so substantial that it becomes very hard to derive. Meaningful cross-border segments. For example, this is one, this is one and this is one. So, these are the 3 unique segments.

So, in that case, the marketing mix must be localized to meet local customer needs. For example, Canon developed 3 different marketing programs for its AE-1 camera. In Japan, targeted they targeted young replacement buyers; in United States, they targeted upscale first time buyers and in Germany, they targeted older and technologically sophisticated replacement buyers.

So, in Japan, the same camera was targeted for young replacement buyers. In Germany, they were targeted to older and technologically sophisticated replacement buyers. And these are the various scenarios that come up when you are segmenting markets across countries.

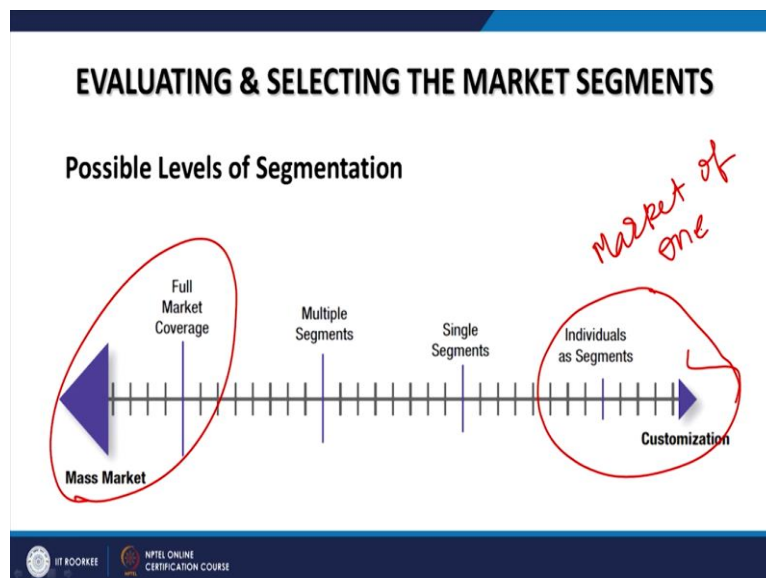
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What are the forces that shape segment attractiveness. 1 is the growth, another is competitive intensity and then, the third is the market access. So, 1 main criteria for identifying market attractive segment attractiveness is marketing growth. So, marketing growth as in the marketing size, the growth rate and the market potential. Another important criteria here is competitive intensities.

That is described as the number of companies in that industry, ease of entry into that industry and what are the substitutes available. And market access is, how familiar the customers are, how easy the channel access is and how what is the company fit in this, in all this.

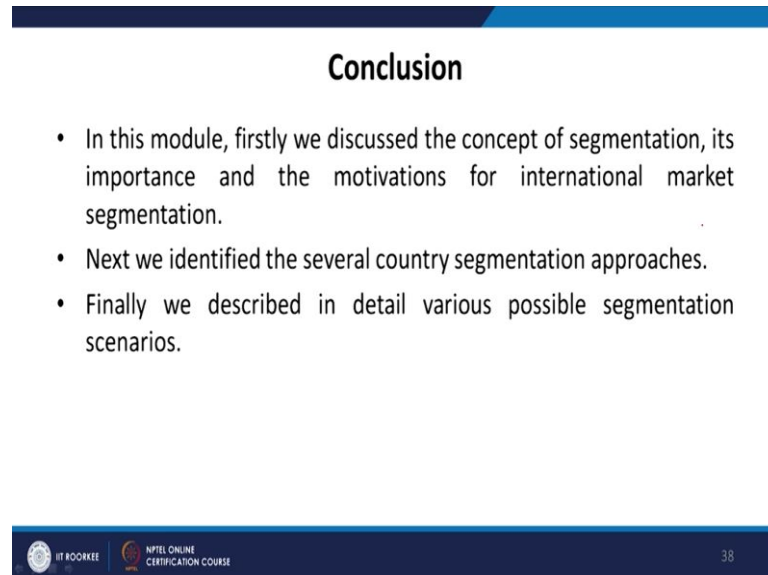
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When you are evaluating and selecting the market segments, the possible level of segments segmentation are: Here it is mass market, that is the full market coverage. And here, there are

individual as segment, that is customization or they are also called as market of one. So, on the left hand side, it is mass market and on the right hand side, it is micro markets or segmentation or customization. And in between, there are lots of other options available, as we have seen in those 5 pictures earlier in this module.

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Conclusion

- In this module, firstly we discussed the concept of segmentation, its importance and the motivations for international market segmentation.
- Next we identified the several country segmentation approaches.
- Finally we described in detail various possible segmentation scenarios.

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So, to conclude, firstly we described the concept of segmentation. That is, to identify group of people with group of people who will respond to the company's marketing mix in a similar way. So, that is the basic concept of segmentation. And because customers they have different needs and preferences, so they may be responding to the company's marketing mix differently. So, we are looking at a group of people who will respond in a similar way to the company's marketing mix.

And we are looking for those similarities on the basis of their needs and preferences. So, we and then we have talked about the importance of segmentation, because the because if we are able to identify a segment then we will be able to allocate resources more effectively. And therefore, the outcome of that allocation will be reflected in how good we are and what are, what is, whether we have been able to achieve our objectives, where how profitable we are, and how successful we are.

And the motivation for the international marketing segmentation. Later on, we have identified several country segmentation approaches. So, there can be a global segments, there can be regional segments and there can be local segments. So, you will find that 1 company maybe catering to not only global segments but also regional segments and local segments.

And finally, we have described in detail various segmentation scenarios. And these are the books that can be used to further understand the segmentation and targeting. Thank you.

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References

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