7 Segmentation, Targeting, and Positioning

LEARNING OBJECTIVES

7-1 Identify the variables that global marketers can use to segment global markets, and give an example of each.

7-2 Explain the criteria that global marketers use to choose specific markets to target.

7-3 Understand how global marketers use a product–market grid to make targeting decisions.

7-4 Compare and contrast the three main target market strategy options.

7-5 Describe the various positioning options available to global marketers.

CASE 7-1
Segmenting the Chinese Luxury Goods Market

Global marketers are flocking to China, attracted by the country's population of more than 1.3 billion people. In addition to a rapidly growing middle class, China is home to increasing numbers of millionaires and billionaires. Thanks to the rising aspirations and purchasing power of these groups, Chinese consumers as a whole buy more luxury goods than consumers of any other nationality. Dozens of Chinese cities have populations of more than 1 million people. In so-called first-tier coastal cities such as Shanghai, Shenzhen, and Beijing, as well as in second-tier cities in the country's interior, Chinese consumers can flaunt their wealth by purchasing French wine, Italian designer clothes, and German luxury cars (see Exhibit 7-1).

Global marketers are fueling corporate growth by targeting China's economic elite; when they do, they discover that a "one-size-fits-all" strategy will not work. Several distinct segments can be discerned among China's richest "1 percent." These include the super-elite, the newly rich, and high-level government officials. To learn more about these segments, and the opportunities and challenges of reaching them, turn to the continuation of Case 7-1 at the end of the chapter.

The efforts by global companies to connect with wealthy Chinese consumers highlight the importance of skillful global market segmentation and targeting. **Global market segmentation** is the process of identifying and categorizing groups of customers and countries according to common characteristics. **Targeting** involves 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, efficiently, and profitably. Finally, proper **positioning** is required to differentiate the product or brand in the minds of target customers.

Exhibit 7-1 Ford has repositioned its Lincoln division as The Lincoln Motor Company. Lincoln recently began selling the MKZ sedan, the MKC crossover, and other luxury models in China. To differentiate the Lincoln brand in this market, the company is creating a retail network that has a boutique feeling. Company executives believe that a focus on personalized attention and service and other amenities will allow Lincoln to attract wealthy Chinese car buyers.
Source: Ng Han Guan/Associated Press.

Global markets can be segmented according to buyer category (e.g., consumer, enterprise, government, education), age, gender, income, and a number of other criteria. Segmentation and targeting are two separate but closely related go-to-market activities. Together, they serve as the link between market needs and wants and the tactical decisions by managers to develop marketing programs and value propositions that meet the specific needs of one or more segments. Segmentation, targeting, and positioning are all examined in this chapter.

7-1 Global Market Segmentation

7-1 Identify the variables that global marketers can use to segment global markets, and give an example of each.

Global market segmentation has been defined as 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.[1] Marketing practitioners and academics have been interested in global market segmentation for several decades. In the late 1960s, one observer suggested that the European market could be divided into three broad categories—international sophisticate, semi-sophisticate, and provincial—solely on the basis of consumers' presumed receptivity to a common advertising approach.[2] Another writer suggested that some themes—for example, the desire to be beautiful, the desire to be healthy and free of pain, and the love between mother and child—are universal and could be used in advertising around the globe.[3]

Consider the following examples of market segmentation:

- The market for computers and related products can be divided into home users, corporate ("enterprise") users, and educational users. In 2014, Hewlett-Packard split into two companies. Hewlett Packard Enterprises markets servers and data storage services to the business-to-business market; HP Inc. (with the familiar blue circle logo) focuses on the consumer market for PCs and printers.
- After convening worldwide employee conferences to study women's shaving preferences, Schick-Wilkinson Sword introduced a shaving system for women that

features a replaceable blade cartridge. Intuition, as the system is known, incorporates a "skin-conditioning solid" that allows a woman to lather and shave her legs simultaneously. Intuition is a premium product targeted directly at users of Venus, Gillette's three-blade razor system for women.[4]

- Dove, a division of Unilever, traditionally targeted women with its Dove-branded skin-care products. In 2010, the company launched a new brand, Men+Care. The move prompted marketers at rival-brand Old Spice to launch humorous TV ads poking fun at guys who use "lady-scented body wash"—a clear jab at Dove.
- GM's original market-entry strategy for China called for targeting government and company officials who were entitled to a large sedan-style automobile. Today, GM's lineup for China includes the Buick Excelle GT, targeted at the country's middle class, and the Buick Verano.

Four decades ago, Professor Theodore Levitt advanced the thesis that consumers in different countries increasingly seek variety and that the same new segments are likely to show up in multiple national markets. Thus, ethnic or regional foods such as sushi, falafel, or pizza might be in demand anywhere in the world. Levitt suggested that this trend, known variously as the *pluralization of consumption* and *segment simultaneity*, provides an opportunity for marketers to pursue one or more segments on a global scale. Frank Brown, former president of MTV Networks Asia, acknowledged this trend in explaining MTV's success in Asia despite a business downturn in the region: "When marketing budgets are tight, advertisers look for a more effective buy, and we can deliver a niche audience with truly panregional reach," he said.[5] Authors John Micklethwait and Adrian Wooldridge sum up the situation this way:

> The audience for a new recording of a Michael Tippett symphony or for a nature documentary about the mating habits of flamingos may be minuscule in any one country, but round up all the Tippett and flamingo fanatics around the world, and you have attractive commercial propositions. The cheap distribution offered by the Internet will probably make these niches even more attractive financially.[6]

Global market segmentation is based on the premise that companies should attempt to identify consumers in different countries who share similar needs and desires. Of course, the fact that significant numbers of pizza-loving consumers are found in many countries does not mean that they are eating the exact same thing. In France, for example, Domino's serves pizza with goat cheese and strips of pork fat known as *lardoons*. In Taiwan, toppings include squid, crab, shrimp, and pineapple; Brazilians can order their pies with mashed bananas and cinnamon. As Patrick Doyle, executive vice president of Domino's international division, explains, "Pizza is beautifully adaptable to consumer needs around the world, simply by changing the toppings."[7]

A. Coskun Samli developed a useful approach to global market segmentation that compares and contrasts "conventional" versus "unconventional" wisdom.[8] For example, conventional wisdom might assume that consumers in Europe and Latin America are interested in World Cup soccer, whereas those in America are not. Unconventional wisdom would note that the "global jock" segment exists in many countries, including the United States.[9] Similarly, conventional wisdom might assume that, because per capita income in India is about $1,670, all Indians have low incomes. Unconventional wisdom would note the presence of a higher-income, middle-class segment. As Sapna Nayak, a food analyst at Raobank India, noted, "The potential Indian customer base for a McDonald's or a Subway is larger than the size of entire developed countries."[10] A similar situation is found in China, where there is considerable income disparity between western and eastern provinces. For example, per capita income in Shanghai Municipality is 47,710 yuan, whereas residents of Gansu are much poorer.[11]

Contrasting Views of Global Segmentation

As we have noted many times in this book, global marketers must determine whether a standardized or an adapted marketing mix will best serve consumers' wants and needs. By performing market segmentation, marketers can generate the strategic insights needed to devise the most effective approaches. The process of global market segmentation begins with the choice of one or more variables to use as a basis for grouping customers. Common variables include demographics, psychographics, behavioral characteristics, and benefits sought. It is also possible to cluster different national markets in terms of their environments—for example, the presence or absence of government regulation in a particular industry—to establish groupings.

Demographic Segmentation

Demographic segmentation is based on measurable characteristics of populations, such as income, population, age distribution, gender, education, and occupation. A number of global demographic trends—fewer married couples, smaller family size, changing roles of women, and higher incomes and living standards, for example—have contributed to the emergence of global market segments. The following are several key demographic facts and trends from around the world:

- Southeast Asia's population numbers 600 million, 70 percent of whom are younger than the age of 40.
- India has the youngest demographic profile among the world's large nations. Two-thirds of its population is younger than age 35. This youthful segment is expected to deliver a "demographic dividend" by serving as a key driver of economic growth.
- In the European Union (EU), the number of consumers age 16 and younger is rapidly approaching the number of consumers age 60 and older.
- Half of Japan's population will be age 50 years or older by 2025.
- By 2030, 20 percent of the U.S. population—70 million Americans—will be age 65 years or older versus 13 percent (36 million) today.
- America's three main ethnic groups—African/Black Americans, Hispanic Americans, and Asian Americans—represent a combined annual buying power of $3.5 trillion.
- The United States is home to 28.4 million foreign-born residents with a combined income of $233 billion.

Statistics such as these can provide valuable insights to marketers who are scanning the globe for opportunities. As noted in Chapter 4, for example, Disney hopes to capitalize on the huge number of young people—and their parents' rising incomes—in India as a means to extend its brand. Managers at global companies must be alert to the possibility that marketing strategies will have to be adjusted in response to the aging of the population and other demographic trends. For example, consumer products companies will need to convene focus groups consisting of people age 50 years or older who are nearing retirement. These same companies will also have to target Brazil, Mexico, Vietnam, and other developing-country markets to achieve their growth objectives in the years to come.

Demographic changes can create opportunities for marketing innovation. In France, for example, two entrepreneurs began rewriting the rules of retailing years before Sam Walton founded the Walmart chain. Marcel Fournier and Louis Defforey opened the first Carrefour ("crossroads") hypermarket in 1963. At the time, France had a fragmented shop system that consisted of small, specialized stores with only about 5,000 square feet of floor space, such as the *boulangerie* and the *charcuterie*. The shop system was part of France's national heritage, and shoppers developed personal relationships with a shop's proprietor. However, time-pressed, dual-parent-working families had less time to stop at several stores for daily shopping. The same trend the Carrefour entrepreneurs noted in France was also occurring in other countries. By 1993, Carrefour SA was a global chain with $21 billion in sales and a market capitalization of $10 billion. Sales totaled $83 billion in 2016, and today Carrefour operates more than 12,200 stores in 35 countries. As Adrian Slywotzky has noted, it was a demographic shift that provided the opportunity for Fournier and Defforey to create a novel, customer-matched, cost-effective business design.[12]

Demographic change has also been a driving force behind the renaissance of shopping malls in the United States. The first enclosed mall opened in 1956; 50 years later, retail experts were using terms like "dying culture" to describe American shopping malls. Although America boasts approximately 1,500 malls, many have closed as the Internet has brought the world's stores into American homes. However, today's entrepreneurs are discovering opportunities in the changing face of America. For example, the Hispanic population in the Atlanta area quadrupled between 1990 and 2000. This change prompted real estate broker José Legaspi to renovate a blighted mall in Atlanta and rechristen it Plaza Fiesta. The mall attracts more than 4 million visitors each year;

many are Hispanic families who gather to listen to mariachi bands, relax, and, of course, shop. Legaspi has worked his magic in other locations, including the Panorama Mall in suburban Los Angeles (see Exhibit 7-2).[13]

SEGMENTING GLOBAL MARKETS BY INCOME AND POPULATION When a company charts a plan for global market expansion, it often finds that income is a valuable segmentation variable. After all, a market consists of those customers who are willing and *able* to buy. For cigarettes, soft drinks, candy, and other consumer products that have a low per-unit cost, population is often a more valuable segmentation variable than income. Nevertheless, for a vast range of industrial and consumer products offered in global markets today, income is a valuable and important macro indicator of market potential. About two-thirds of world gross national income (GNI) is generated in the Triad (i.e., North America, Europe, and the Pacific Rim); by comparison, only 12 percent of the world's population is located in Triad countries.

The concentration of wealth in a handful of industrialized countries has significant implications for global marketers. After segmenting potential markets in terms of a single demographic variable—income—a company can reach the most affluent markets by targeting fewer than 20 nations: half the EU, North America, and Japan. By doing so, however, the marketers are *not* reaching almost 90 percent of the world's population! A word of caution is in order here. Data about income (and population) have the advantage of being widely available and inexpensive to access. However, management may unconsciously "read too much" into such data. In other words, while providing some measure of market potential, such macro-level demographic data should not necessarily be used as the sole indicator of presence (or absence) of a market opportunity. This is especially true when an emerging country market or region is being investigated.

Ideally, gross domestic product (GDP) and other measures of national income converted to U.S. dollars should be calculated on the basis of purchasing power parities (PPP; i.e., what the currency will buy in the country of issue) or through direct comparisons of actual prices for a given product. This approach provides an actual comparison of the standards of living in the countries of the world. Table 7-1 ranks the top 10 countries in terms of 2016 per capita income; it also provides the respective figure adjusted for purchasing power parity. Although the United States ranks sixth in per capita income, it ranks ninth in terms of standard of living, as measured by what money can buy.[14] By most metrics, the U.S. market is enormous: $18.6 trillion in national income and a population that passed the 300 million milestone in 2006. Little wonder, then, that so many non-U.S. companies target and cater to American consumers and organizational buyers!

Exhibit 7-2 Hispanic Americans accounted for more than half of the U.S. population's growth during the first decade of the 2000s. The number of Hispanic families with household incomes of $50,000 or more is also growing rapidly. According to Pew Research Center, Hispanics will represent approximately $1.7 trillion in annual buying power by 2020. Clearly, this segment of the U.S. population is very attractive to marketers.
Source: Photo by Emily Berl.

TABLE 7-1 Per Capita Income, 2016*

	2016 GNI per Capita	2016 Income Adjusted for Purchasing Power
1. Norway	$82,440	$62,550
2. Switzerland	81,240	63,660
3. Luxembourg	71,470	70,430
4. Denmark	56,990	51,100
5. Iceland	56,990	52,490
6. United States	56,810	58,700
7. Sweden	54,590	50,030
8. Australia	54,420	45,970
9. Singapore	51,880	85,190
10. Ireland	51,760	56,870

*Ranking omits countries for which 2016 data were not available—for example, Monaco, Liechtenstein, and Qatar.

A case in point is Mitsubishi Motors, which had begun redesigning its Montero Sport sport utility vehicle (SUV) with the goal of creating a "global vehicle" that could be sold worldwide with little adaptation. Then the design program changed course: The new goal was to make the vehicle more "American" by providing more interior space and more horsepower. Hiroshi Yajima, a Mitsubishi executive in North America, attributed the change to the vibrancy and sheer size of the American auto market. "We wouldn't care if the vehicle didn't sell outside the U.S.," he said.[15] The Montero was sold in the United States until 2004, when it was superseded by the Endeavor. The Endeavor, manufactured in Illinois, was part of Mitsubishi's "Project America" program, which focuses on producing cars targeting the U.S. market without concern for the preferences of drivers in export markets. The program is paying off: Mitsubishi's current SUV offering, the Outlander, has a "Recommended" rating from the influential *Consumer Reports*.

Despite having comparable per capita incomes, other industrialized countries are nevertheless quite small in terms of *total* annual income (see Table 7-2). In Sweden, for example, per capita GNI is about $54,480; however, Sweden's smaller population—9.9 million—means that, in relative terms, its market is limited. This helps explain why Ericsson, IKEA, Volvo, and other Swedish companies have looked beyond their borders for significant growth opportunities.

While Table 7-1 highlights the differences between straightforward income statistics and the standard of living in the world's most affluent nations, such differences can be even more pronounced in less-developed countries. A visit to a mud house in Tanzania will reveal many of the things that money can buy: an iron bed frame, a corrugated metal roof, beer and soft drinks,

TABLE 7-2 Top 10 Nations Ranked by GDP, 2016

Country	GDP (in millions)
1. United States	$18,589,000
2. China	11,199,000
3. Japan	4,939,000
4. Germany	3,467,000
5. United Kingdom	2,619,000
6. France	2,465,000
7. India	2,264,000
8. Italy	1,850,000
9. Brazil	1,796,000
10. Canada	1,530,000

bicycles, shoes, photographs, radios, and televisions. What Tanzania's per capita income of $900 does not reflect is the fact that instead of utility bills, Tanzanians have the local well and the sun. Instead of nursing homes, tradition and custom ensure that families will take care of the elderly at home. Instead of expensive doctors and hospitals, villagers may utilize the services of witch doctors and healers.

In industrialized countries, a significant portion of national income consists of the value of goods and services that would be free in a poor country. Thus, the standard of living in low- and lower-middle-income countries is often higher than income data might suggest; in other words, the *actual* purchasing power of the local currency may be much higher than that implied by exchange values. For example, the per capita income average for China of $8,250 equals 51,645 Chinese yuan at an exchange rate of 6.26 yuan = US$1.00. But 51,645 yuan will buy much more in China than $8,250 will buy in the United States. Adjusted for PPP, per capita income in China is estimated to be $15,500—an amount nearly twice as high as the unadjusted figure suggests.

Similarly, calculated in terms of purchasing power, per capita income in mainland Tanzania is approximately $2,740. Indeed, a visit to the capital city of Dar es Salaam reveals that stores are stocked with televisions and fashion items, and businesspeople can be seen negotiating deals using their smartphones. At the Kariakoo market, vendors conduct business via mobile money transactions instead of cash (see Exhibit 7-3). In fact, the World Bank reports that Tanzania has the most mobile money accounts per 1,000 adults of any African country.[16]

In 2016, the 10 most populous countries in the world accounted for 60 percent of the total world income; the 5 most populous countries accounted for approximately 46 percent of that total (see Table 7-3). Although population is not as concentrated as income, there is, in terms of size of nations, a pattern of considerable concentration. The concentration of income in the high-income and large-population countries means that a company can be "global" by targeting buyers in 10 or fewer countries. World population now exceeds 7 billion; at the present rate of growth, it will reach 12 billion by the middle of the century. Simply put, global population will probably double during the lifetimes of many students using this textbook.

As noted previously, for products whose price is low enough, population is a more important variable than income in determining market potential. Thus, China and India, with populations exceeding 1.3 billion people in each country, represent attractive target markets. In a country like India, one segmentation approach would call for serving the existing mass market for inexpensive consumer products. Kao, Johnson & Johnson, Procter & Gamble, Unilever, and other packaged goods companies are targeting and developing the India market, lured in part by the presence of hundreds of millions of customers who are willing and able to spend a few cents for a single-use pouch of shampoo and other personal-care products.

McDonald's global expansion illustrates the significance of both income and population on marketing activities. As noted in Case 1-2, McDonald's operates in 118 countries. What

Exhibit 7-3 Mobile money is replacing cash as a means of exchange in Tanzania, where most of the population is unbanked.

Source: iStock Unreleased/Getty Images.

TABLE 7-3 The 10 Most Populous Countries, 2016

Global Income and Population	2016 Population (millions)	Percentage of World Population	2016 GDP (billions)	2016 per Capita GNI	Percentage of World GDP
World Total	**7,422**	**100.00%**	**$75,544**	**$10,298**	**100.0%**
1. China	1,378	19%	11,199	8,250	15.0%
2. India	1,324	18%	2,264	1,670	3.0%
3. United States	323	4.4%	18,589	56,180	25.0%
4. Indonesia	261	3.5%	934	3,400	1.0%
5. Brazil	207	2.8%	1,796	8,840	2.0%
6. Pakistan	193	2.6%	283	1,510	0.4%
7. Nigeria	185	2.5%	405	2,450	0.5%
8. Bangladesh	162	2.2%	221	1,330	0.3%
9. Russian Federation	144	1.9%	1,280	9,720	1.7%
10. Mexico	127	1.7%	1,046	9,040	1.4%

this figure conceals, however, is that 80 percent of McDonald's restaurants are located in nine country markets: Australia, Brazil, Canada, China, France, Germany, Japan, the United Kingdom, and the United States. These nine countries generate nearly 75 percent of the company's total revenues. Eight of these countries appear in the top 10 rankings shown in Table 7-2; however, only three appear in the Table 7-3 population rankings. At present, the restaurants in the company's approximately 100 non-major-country markets contribute less than 20 percent of McDonald's operating income. McDonald's is counting on an expanded presence in China and other high-population-country markets to drive corporate growth in the twenty-first century.

In rapidly growing economies, marketers must take care when using income, population, and other macro-level data during the segmentation process. For example, marketers should keep in mind that national income figures such as those cited for China and India are averages. Using averages alone, it is possible to underestimate a market's potential: Fast-growing, higher-income segments are present in both China and India. As Harold L. Sirkin, James W. Hemerling, and Arindam K. Bhattacharya point out in *Globality*, the income disparity in China and India is reflected in the diversity of their huge populations. In China, this diversity manifests itself in eight major languages and several dialects and minor languages; in addition, 30 Chinese cities have populations of 2 million people or more. Sirkin and his coauthors write:

> Mandarin is the dominant language in the main cities of northern China, while Cantonese is the dominant language in the south, particularly in Hong Kong. And behind each language is a unique regional history, culture, and economy that collectively give rise to radical differences in tastes, activities, and aspirations.
>
> Such differences present a major challenge for companies in the most fundamental of go-to-market activities: segmenting the population to understand motivations, expectations, and aspirations—and estimating how much spending power each segment has. It makes the term "mass market" almost meaningless. Yes, there is a mass of consumers in the rapidly developing economies, but they can hardly be addressed en masse, at least not through one set of product propositions or one campaign of spoken or written communications.[17]

The same is true in India, where more than 10 percent of the population can be classified as "upper middle class." Pinning down a demographic segment may require additional information; according to some estimates, India's middle class totals 300 million people. However, if one defines the middle-class segment more narrowly as "households that own cars, computers, and washing machines," the figure would be much lower.

According to one Indian expert, India's population can be further segmented to include a "bike" segment of 25 million households in which telephones and motorbikes are present. However, the vast majority of India's population comprises a "bullock cart" segment whose

"Urban India is getting saturated. In the cities, everyone who can afford a television has one. If you want to maintain high growth, you have to penetrate into rural India."[18]

K. Ramachandran, chief executive, Philips Electronics India households lack most modern conveniences but typically own a television.[19] And, how can a global company "act local" when "local" is very diverse? As Amit Agarwal, head of Amazon India, notes, "There's so little standardization: Every region has something that defines it. It's like 25 different countries."[20] The lesson is clear: To avoid being misled by averages, do not *assume* homogeneity.

AGE SEGMENTATION Age is another useful demographic variable in global marketing. One global segment based on demographics is **global teens**, young people between the ages of 12 and 19. Teens, by virtue of their shared interests in fashion, music, and a youthful lifestyle, exhibit consumption behavior that is remarkably consistent across borders. As Renzo Rosso, creator of the Diesel brand and investor in Italy's H-Farm innovation incubator, explains, "A group of teenagers randomly chosen from different parts of the world will share many of the same tastes."[21] Young consumers may not yet have conformed to cultural norms; indeed, they may be rebelling against them. This fact, combined with shared universal wants, needs, desires, and fantasies (for name-brand, novelty, entertainment, trendy, and image-oriented products), makes it possible to reach the global teen segment with a unified marketing program.

This segment is attractive both in terms of its size (approximately 1.3 billion people) and its multi-billion-dollar purchasing power. According to London-based trend consultancy LS:NGlobal, the U.S. teen market represents roughly $200 billion in annual buying power; the United Kingdom's 7.5 million teens spend more than $10 billion each year.[22] Coca-Cola, Benetton, Swatch, and Sony are some of the companies pursuing the global teen segment. The global telecommunications revolution is a critical driving force behind the emergence of this segment. Global media such as MTV, Facebook, and Twitter are perfect vehicles for reaching this segment. Meanwhile, satellites are beaming Western programming and commercials to millions of viewers in China, India, and other emerging markets.

Another global segment is the **global elite**, affluent consumers who are well traveled and have the money to spend on prestigious products with an image of exclusivity (see Exhibit 7-4). Although this segment is often associated with older individuals who have accumulated wealth over the course of a long career, it also includes movie stars, musicians, elite athletes, entrepreneurs, and others who have achieved great financial success at a relatively young age. China is

Exhibit 7-4 Rolls-Royce, the automaker whose name is synonymous with exclusive luxury, sells approximately 1,000 vehicles each year. The company has operations in 47 countries; the United States accounts for roughly one-third of the overall market. The carmaker also sells to customers in key emerging country markets such as Cambodia, India, Indonesia, Nigeria, and Vietnam.

Source: PORNCHAI KITTIWONGSAKUL/AFP/Getty Images.

home to 18,000 such individuals, which means it ranks number 2 overall worldwide. This segment of the Chinese population is expected to grow 40 percent in the next 5 years (see Case 7-1).

The global elite's needs and wants are spread over various product categories: durable goods (luxury automobiles such as Rolls-Royce and Mercedes-Benz), nondurables (upscale beverages such as Cristal champagne and Grey Goose vodka), and financial services (American Express Gold and Platinum cards). Prices for the flagship Rolls-Royce Phantom start at about $400,000; the typical buyer is an individual with an ultra-high net worth including more than $30 million in liquid assets. The introduction of the new $250,000 Ghost has jump-started sales for Rolls-Royce. Potential buyers can download an iPhone app that allows them to create their own vehicles. As one industry analyst noted recently, "One of the things that Rolls-Royce has been particularly good at is not corrupting its brand in the name of growth or profit."

GENDER SEGMENTATION For obvious reasons, segmenting markets by gender is an approach that makes sense for many companies. Less obvious, however, is the need to ensure that opportunities for sharpening the focus on the needs and wants of one gender or the other do not go unnoticed. Although some companies—fashion designers and cosmetics companies, for example—market primarily or exclusively to women, other companies offer different lines of products to both genders.

For example, in 2015, Nike generated $5.7 billion in global sales of women's shoes and apparel. Nike executives believe the company's global women's business is poised for big growth, with sales expected to increase to $11 billion by 2020. The recent growth in this segment is due in large part to women's increased interest in fitness and the athleisure trend. Nike's recent advertising campaign, keyed to the theme #betterforit, encouraged women to share their fitness goals on social media.[23]

In Europe, Levi Strauss is also sharpening its focus on women. In 2003, the company opened its first boutique for young women, Levi's for Girls, in Paris. As Suzanne Gallacher, associate brand manager for Levi's in Europe, the Middle East, and Africa, noted, "In Europe, denim is for girls."[24] The company's move is part of a broader strategy to boost Levi Strauss's performance in the face of strong competition from Calvin Klein and Gap in the United States and from Topshop and Diesel in Europe. Gallacher predicts that if Levi's for Girls succeeds in France, similar stores will be opened in other European countries.

Psychographic Segmentation

Psychographic segmentation involves grouping people in terms of their attitudes, values, and lifestyles. The data used to classify individuals are obtained from questionnaires that require respondents to indicate the extent to which they agree or disagree with a series of statements. Psychographics is primarily associated with SRI International, a market research organization whose original Values and Lifestyles (VALS) and updated VALS 2 analyses of consumers are widely known. For years, Nokia relied heavily on psychographic segmentation of mobile phone users; its most important segments were Poseurs, Trendsetters, Social Contact Seekers, and Highfliers. By carefully studying these segments and tailoring products to each, Nokia once commanded 40 percent of the world's market for mobile communication devices.[25] Ultimately, Nokia's market share declined due to intense competition from a new generation of Apple and Android-based phones.

Porsche AG, the German sports car maker, turned to psychographics after experiencing a worldwide sales decline from 50,000 units in 1986 to about 14,000 units in 1993. Its U.S. subsidiary, Porsche Cars North America, already had a clear demographic profile of its typical customer: a 40-plus-year-old male college graduate whose annual income exceeded $200,000. A psychographic study showed that, demographics aside, Porsche buyers could be divided into several distinct categories. Top Guns, for example, buy Porsches and expect to be noticed; for Proud Patrons and Fantasists, in contrast, such conspicuous consumption is irrelevant. Porsche used the profiles to develop advertising tailored to each type. As Richard Ford, Porsche's vice president of sales and marketing, noted: "We were selling to people whose profiles were diametrically opposed." The results were impressive; Porsche's U.S. sales improved nearly 50 percent after a new advertising campaign was launched.[26]

Porsche is not the only global automobile marketer to use psychographic segmentation in combination with other segmentation variables. In some instances, however, the marketers reach a segment that they weren't necessarily targeting. For the past decade, Fiat, GM, Kia, Toyota, and other car makers have targeted U.S. Millennials, a segment that encompasses 80 million tech-savvy twenty- and thirty-somethings. As shown in Exhibit 7-5, recent entrants in the subcompact car market such as the Chevy Sonic, Toyota Scion, Fiat 500, and Kia Soul were designed with hip styling cues and features that clearly distinguished them from "typical" cars. Marketing communications (including Kia's breakdancing hamsters) were targeted squarely at Millennials. As it turns out, American Baby Boomers—the cohort born between 1946 and 1964—have been snapping up the funky-looking cars. The size and purchasing power of the Boomer generation makes this group hard for automakers to ignore: In 2012, they accounted for 40 percent of new car sales. By contrast, car buyers age 18 to 34 accounted for only 12 percent of new car purchases.[27]

As these examples illustrate, just as people of the same age don't necessarily have the same attitudes, people in one age bracket sometimes share attitudes and tastes with those in other age brackets. Sometimes it is preferable to market to a mind-set rather than to a particular age group; in such an instance, psychographic studies can help marketers arrive at a deeper understanding of consumer behavior than is possible with traditional segmentation variables such as demographics.

Psychographic market profiles are available from a number of different sources; companies may pay thousands of dollars to use these studies. In the Big Data era, Facebook and other tech firms can leverage their competitive advantages in mining social media data to provide answers to questions and arrive at insights about consumer behavior and technology trends around the globe. The analytics approaches typically involve a mix of qualitative and quantitative techniques and cut across the various segmentation bases discussed in this chapter.

Consider, for example, the behavior of online shoppers in the specialty retail category. Many retailers offer consumers the option to browse and buy online as well as to shop in physical stores; these companies often embed Facebook's Pixel code in their Web sites. In one study, Facebook collected data to identify cues and signals about the online behavior of 1.6 million online shoppers over a 1-month period in 2017. The company's consumer insights team divided the population into several categories, including Shopping Mavens, Informed Mobilizers, Fashion Enthusiasts, Opportunistic Shoppers, Social Savvies, and Online Reluctants. Segmentation bases from online behavior in the study included things like "average total days on brand site before purchase" and "average number of pages viewed each day on site." Insights about Shopping Mavens (representing approximately 10 percent of the total) included "the information on a brand or retailer's Web site inspires me" and "I am very passionate about shopping specialty retail." Compare that to the attitude of an Online Reluctant, whose attitude might be "Online you can't physically touch the product." Retailers can use these and other insights to optimize their advertising campaigns and tailor the overall marketing program to each segment.[28]

The segmentation and targeting approach used by a company can vary from country to country. In Europe, Levi Strauss now relies heavily on gender segmentation. By contrast, former CEO Phil

Exhibit 7-5 Music is an important part of the appeal of the Kia Soul ads that feature breakdancing hamsters. For example, Kia licensed Motörhead's song "Ace of Spades" for a recent ad launching the new Soul Turbo. Kia has also licensed songs by Lady Gaga, Maroon 5, and other top artists.
Source: Raymond Boyd/Getty Images.

EMERGING MARKETS BRIEFING BOOK

Segmenting the Thai Tourism Market

The Kingdom of Thailand is known as the "Land of Smiles." Tourism brochures are chock-full of gorgeous images of mountains and sunny beaches. Tourism currently accounts for about 10 percent of Thailand's GNP, generating an estimated $50 billion in revenues in 2017. One-fourth of the 40 million foreign tourists who visit each year are Chinese.

Yet, for many years, there has been a dark side to Thailand's tourist industry. Prostitution and sex tourism long flourished in the country. The tourist sex trade had its roots in the Vietnam War era; some U.S. soldiers were based in Thailand, others traveled there on leave. After the war ended and the majority of Americans left, the sex trade continued in Pattaya and other cities because of the amount of money it generated. Men still account for roughly 60 percent of foreign visitors.

Today, Thai government programs aim to limit the sex trade by improving the country's transportation infrastructure and redeveloping crowded city areas. At the same time, the Tourism Authority of Thailand (TAT) has developed a series of promotional campaigns aiming to reposition Thailand and change public perceptions. "Amazing Thailand" and "Unseen Thailand" are among the campaign themes in recent years. Currently, TAT is targeting two distinct segments: gay and lesbian couples, and Muslim families.

Buddhism is the dominant religion in Thailand, and slightly less than 5 percent of the population is Islamic. Even so, sociologist Lora Friedrich, an American who has spent many years in Thailand, notes that the country has always had a "Muslim-friendly" infrastructure. Prayer rooms are available at shopping malls, resorts, and beaches; and many restaurants have *halal*-certified kitchens. Malaysia, where nearly two-thirds of the population practices Islam, is among the top 10 countries sending tourists to Thailand. For its part, Malaysia is the number 1 destination for Muslim tourists. Interestingly, while Saudi Arabia, the United Arab Emirates, Sri Lanka, and Egypt are *not* in the top 10 as far as number of tourists visiting Thailand, tourists from these countries are the top spenders.

"Go Thai. Be Free" is the theme of a government-sponsored campaign targeting gay and lesbian travelers (see Exhibit 7-6). Gay couples have, on average, higher household incomes than heterosexual couples. Gay tourists frequently gather on Silom Road, an area in Bangkok with myriad dance clubs, gay bars, and restaurants. It's easily accessible by the city's Skytrain mass transit system. Visitors are also attracted to special events such as the Songkran Festival, held every year on April 13, 14, and 15. Celebrating the traditional Thai New Year, the festival is embraced by both gay and straight tourists. The event is known as the water splashing festival; anyone who wants to stay dry should stay home! Western holidays such as Halloween, Christmas, and New Year's Eve/Day are also celebrated in Thailand. "Thai people like to celebrate and have fun," says Bangkok native Dr. Chatt Pongpatipat.

Fazal Bahardeen is CEO of Crescentrating, a Singapore-based company that ranks countries on the basis of hospitality toward Muslims. Noting that Thais are an "inherently hospitable people," Bahardeen emphasizes the fact that foreign tourists care about how and where they spend their money. He says, "I keep telling tourist organizations, 'It's Marketing 101. Why would you want to go to a place that doesn't welcome you?'"

Sources: The authors are indebted to Dr. Lora Friedrich, Professor of Sociology, Simpson College, and Dr. Chatt Pongpatipat, Assistant Professor of Marketing, Saginaw Valley State University. *Additional sources:* Trefor Moss, "Thais Love Chinese Tourism—to a Point," *The Wall Street Journal* (February 16, 2018), p. A10; Burhan Wazir, "Halal Holidays Boost Muslin Visitor Numbers," *Financial Times Special Report: Turkey & The Arab World* (September 28, 2017), p. 5; James Hookway and Wilawan Watcharasakwet, "Bangkok Takes on a Major Makeover," *The Wall Street Journal* (October 12, 2016), p. C3; Thomas Fuller, "Thais Cast a Wide Net for Diverse Tourists," *The New York Times* (August 3, 2013), p. 12; Fuller, "A City Known for Sex Tries to Broaden Its Appeal," *The New York Times* (September 17, 2010), p. A9; Krittinee Nuttavuthisit, "Branding Thailand: Correcting the Negative Image of Sex Tourism," *Place Branding and Public Democracy* 3 (2007), pp. 21–30.

Exhibit 7-6 Thailand's tourism industry generates an estimated $1.6 billion each year by welcoming gay and lesbian travelers. Likewise, Thailand ranks high on the list of "*halal*-friendly destinations" for Muslim vacationers.
Source: Amble Design/Shutterstock.

Marineau believed that a psychographic segmentation strategy was the key to revitalizing the venerable jeans brand in its home market. Marineau's team identified several different segments, including Fashionistas, Trendy Teens, Middle-Aged Men, and Budget Shoppers. The goal was to create different styles of jeans at different price points for each segment and to make them available at stores ranging from Walmart to Neiman Marcus.[29] Likewise, Sony Electronics, a unit of Sony Corp. of America, undertook a reorganization of its marketing function. Traditionally, Sony had approached marketing from a product category point of view. It changed its philosophy so that a new unit, the Consumer Segment Marketing Division, would be responsible for getting closer to consumers in the United States (see Table 7-4).[30] Which variables did Sony use to develop these categories?

Behavior Segmentation

Behavior segmentation can focus on whether people buy and use a product, as well as how often and how much they use or consume. In today's social-media–saturated environment, behavior segmentation can also be based on big data that reflect online engagement with a brand or a company. Consumers can be categorized in terms of **usage rates**: heavy, medium, light, or nonuser. Consumers can also be segmented according to **user status**: potential users, nonusers, ex-users, regulars, first-timers, or users of competitors' products.

Marketers sometimes refer to the **80/20 rule** when assessing usage or engagement rates. This rule (also known as the *law of disproportionality* or *Pareto's law*) suggests that, for example, 80 percent of a company's revenues or profits are accounted for by 20 percent of a firm's products or customers. As noted earlier, nine country markets generate nearly 80 percent of McDonald's revenues. And, as you learned in Case 6-1 about the music business, 5 percent of recording artists account for 95 percent of all artist-related Facebook engagement. So, one challenge facing an emerging or "undiscovered" artist seeking to build his or her career in the music industry is how to increase audience size on Facebook, Twitter, and other online platforms—maybe drop a new single every month to generate online buzz?

Benefit Segmentation

Global **benefit segmentation** focuses on the numerator of the value equation—the B in $V = B/P$. This approach is based on marketers' superior understanding of the problem a product solves, the benefit it offers, or the issue it addresses, regardless of geography. Food marketers, for example, are finding success creating products that can help parents create nutritious family meals with a minimal investment of time. Campbell Soup is making significant inroads into Japan's $500 million soup market as time-pressed homemakers place a premium on convenience. Marketers of health and beauty aids also use benefit segmentation. Many toothpaste brands are straightforward cavity fighters, and as such they reach a very broad market. However, as consumers become more concerned about whitening, sensitive teeth, gum disease, and other oral care issues, marketers are developing new toothpaste brand extensions suited to the different sets of perceived needs.

Demographic trends are also creating opportunities for food products with medicinal benefits. The World Health Organization predicts that, by 2050, 22 percent of the world's population will

TABLE 7-4 Sony's U.S. Consumer Segments

Segment	Description
Affluent	High-income consumers
CE Alphas	Early adopters of high-tech consumer electronics products, irrespective of age
Zoomers	55 years old or older
SoHo	Small office/home office
Families	35 to 54 years old
Young professionals/D.I.N.K.S.	Dual income, no kids, 25 to 34 years old
Gen Y	Younger than 25 years old (includes tweens, teens, college students)

Exhibit 7-7 Only a handful of FDA-approved drugs are available to treat Alzheimer's patients in the United States. Some patients have sought alternative therapies such as Axona, a medical food. In Alzheimer's patients, the brain loses its ability to metabolize glucose; Axona provides an alternative "brain fuel" known as ketones.
Source: Courtesy of Accera, Inc.

be age 60 or older—today, that proportion is only 12 percent. According to Euromonitor International, the global market for foods that offer health benefits is currently worth about $600 billion in annual sales. Nestlé is in the vanguard of companies that are expanding offerings in the health-food category, for which the 60–and-older demographic is a key target. The giant Swiss company recently established two new subsidiaries, Nestlé Health Science SA and the Nestlé Institute of Health Sciences, that will focus on products known as "medical foods," "functional foods," and "nutraceuticals." The goal is to create new food products that target diseases. Nestlé recently acquired CM&D Pharma, a U.K.-based startup that has developed a chewing gum that offers relief from kidney disease. Nestlé also bought a stake in Accera; this company makes Axona, a prescription medical food intended for the clinical dietary management of mild to moderate Alzheimer's disease (see Exhibit 7-7).[31]

Ethnic Segmentation

In many countries, the population includes ethnic groups of significant size. In the United States, for example, the three major ethnic segments are African/Black Americans, Asian Americans, and Hispanic Americans. Each segment shows great diversity and can be further subdivided. For example, Asian Americans include Thai Americans, Vietnamese Americans, and Chinese Americans, and each of these groups speaks a different language.

America's Hispanic population shares a common language but can also be segmented by place of origin: the Dominican Republic, Cuba, Central America, South America, Puerto Rico, and, of course, Mexico. The Hispanic American segment comprises more than 55 million people, representing nearly 17 percent of the total U.S. population and nearly $2 trillion in annual buying power. As a group, Hispanic Americans are hardworking and exhibit strong family and religious orientations. However, the different segments are very diverse, and marketers need to beware of falling into the trap of thinking "All Hispanics are the same." Some call the new face of opportunity the "$1 trillion Latina." Indeed, the United States is home to 24 million women of Hispanic heritage; 42 percent are single, 35 percent are heads of households, and 54 percent are employed.

From a marketing point of view, the various Hispanic American segments represent a great opportunity. Companies in a variety of industry sectors, including food and beverages, consumer durables, and leisure and financial services, are recognizing the need to include these segments when preparing marketing programs for the United States. Almost two decades ago, companies based in Mexico began zeroing in on opportunities to the north. Three Mexican retailers—Famsa, Grupo Gigant SA, and Grupo Comercial Chedraui SA—all opened stores in the United States. As Famsa President Humberto Garza Valdez explained at the grand opening of a store in San Fernando, California, "We're not coming to the U.S. to face big companies like Circuit City or Best Buy. Our focus is the Hispanic market."[32]

"The aim is to target a new demographic that we call Generation M: Multicultural, Mobile, and Millennial."[33]

Cesar Conde, Chairman, NBC Universal Telemundo Enterprises

Modelo Especial is a Mexican beer brand that has successfully capitalized on its heritage to target Hispanic Americans while also appealing to the "Mercado General." The brand was first introduced in the United States in 1982; today, Latinos account for 50 percent of its sales volume. Gradually, over the course of several decades, various aspects of Latino culture have been widely embraced in the United States, as evidenced by the mainstream popularity of artists such as Jennifer Lopez and Pitbull. In addition, the marketing team at Constellation Brands, which distributes Modelo Especial, attributes the brand's mainstream appeal today in part to the fact that urban Millennial consumers are generally open to different cultures and lifestyles.[34] Moreover, Modelo benefits from the fact that its brand-loyal consumers are "hyper-social" users of new media. Tumblr is the social media site of choice for the beer's parent company, where posts include "beer recipes" for Latino-style cocktails.

The preceding discussion outlined the ways global companies (and the research and advertising agencies that serve them) use market segmentation to identify, define, understand, and respond to customer wants and needs on a worldwide basis. In addition to the segmentation variables previously discussed, new segmentation approaches are being developed in response to today's rapidly changing business environment. For example, the widespread adoption of the Internet and other new technologies creates a great deal of commonality among global consumers. These consumer subcultures are composed of people whose similar outlooks and aspirations create a shared mind-set that transcends language and national differences. Consumer products giant Procter & Gamble is one company that is attuned to the changing times. As Melanie Healey, former president of P&G's Global Health and Feminine Care unit, noted, "We're seeing global tribes forming around the world that are more and more interconnected through technology."[35]

▸ **7-2** Explain the criteria that global marketers use to choose specific markets to target.

7-2 Assessing Market Potential and Choosing Target Markets or Segments

After segmenting the market by one or more of the criteria just discussed, the next step is to assess the attractiveness of the identified segments.[36] This part of the process is especially important when sizing up emerging country markets as potential targets. It is at this stage that global marketers should be mindful of several potential pitfalls associated with the market segmentation process.

First, there is a tendency to overstate the size and short-term attractiveness of individual country markets, especially when estimates are based primarily on demographic data such as income and population. For example, while China, India, Brazil, and other emerging markets undoubtedly offer potential in the long run, management must realize that short-term profit and revenue growth objectives may be hard to achieve. During the 1990s, Procter & Gamble and other consumer packaged goods companies learned this lesson in Latin America. By contrast, the success of McDonald's Russia during the same period is a case study in the rewards of persistence and long-term outlook.

A second trap that global marketers can set for themselves is to target a country because shareholders or competitors exert pressure on management not to "miss out" on a strategic opportunity. Recall from Chapter 2, for example, the statement by India's former finance minister that the twenty-first century will be "the century of India." Such pronouncements can create the impression that management must "act now" to take advantage of a limited window of opportunity.

Third, there is a danger that management's network of contacts will emerge as a primary criterion for targeting. The result can be market entry based on convenience rather than on rigorous market analysis. For example, a company may enter into a distribution agreement with a non-national employee who wants to represent the company after returning to his or her home country. The issue of choosing the right foreign distributor is discussed in detail in Chapter 12.

With these pitfalls in mind, marketers can utilize three basic criteria for assessing opportunity in global target markets: current size of the segment and anticipated growth potential, competition, and compatibility with the company's overall objectives and the feasibility of successfully reaching a designated target.

Current Segment Size and Growth Potential

Is the market segment currently large enough to present the company with the opportunity to make a profit? If the answer is "no" today, does it have significant growth potential to make it attractive in terms of the company's long-term strategy? Consider the following facts about India:

- India is the one of the world's fastest-growing mobile phone markets. This market is expanding at a double-digit annual rate, with millions of new subscribers added every month. In mid-2008, India had 261 million cell phone users; that number approached 650 million by the end of 2016. However, only 300 million of those users own a smartphone.
- Approximately 3 million cars are sold each year in India. In absolute terms, this is a relatively small number—but it also means that Indian's light-vehicle market has more than doubled in size over the past decade.
- Approximately 70 percent of India's population is younger than the age of 35. This segment is increasingly affluent, and today's young, brand-conscious consumers are buying $100 Tommy Hilfiger jeans and $690 Louis Vuitton handbags. Mohan Murjani owns the rights to the Tommy Hilfiger brand in India. Commenting on the country's decade-long economic boom, he notes, "Aspirationally, things changed dramatically. What we were seeing was huge growth in terms of consumers' assets, in terms of their incomes and in terms of their spending power through credit."[37]

As noted earlier, one of the advantages of targeting a market segment globally is that although the segment in a single-country market might be small, even a narrow segment can be served profitably if that same segment exists in several countries. The billion-plus members of the global MTV Generation are a case in point. Moreover, by virtue of its size and purchasing power, the global teen segment is extremely attractive to consumer goods companies. In the case of a huge country market such as India or China, segment size and growth potential may be assessed in a different manner.

From the perspective of a consumer packaged goods company, for example, low incomes and the absence of a distribution infrastructure offset the fact that 75 percent of India's population lives in rural areas. The appropriate decision may be to target urban areas only, even though they are home to only 25 percent of the population.

Visa's strategy in China perfectly illustrates this criterion as it relates to demographics, but also highlights the difficulty of penetrating the Chinese market in times of rapid technological change. Visa targeted persons with monthly salaries equivalent to $300 or more. The company predicted that, by the early 2010s, that demographic could include as many as 200 million people. At the time, only 1 percent of the Chinese population owned a credit card. However, the Chinese people generally have negative attitudes about incurring debt; in addition, government regulations made it difficult for Visa's entry. Meanwhile, mobile payment technology exploded in popularity, as consumers embraced Alibaba's Alipay and Tencent's WeChat Pay (see Exhibit 7-8). Now, Visa and rival Mastercard are launching their own mobile payment apps.[38]

Exhibit 7-8 Alipay and WeChat pay are the preferred mobile payments platforms in China, commanding more than 90 percent of the market. Chinese consumers prefer using their phones as digital wallets rather than paying in cash.

Source: Visual China Group/Getty Images.

TABLE 7-5 Global Automakers Targeting the U.S. Market with SUVs

Automaker	Selected SUV Model	Country of Assembly or Manufacture	Year Introduced
Porsche	Cayenne	Germany	2003
Volkswagen	Touareg	Slovakia	2004
Honda	CR-V	Japan	1995
Toyota	RAV-4	Japan	1994
Kia	Sorento	South Korea	2003
BMW	X5	United States	2000
Mercedes-Benz	ML 350	United States	2003

Thanks to a combination of favorable demographics and lifestyle-related needs, the United States has been a very attractive market for foreign automakers. For example, demand for SUVs exploded during the 1990s. From 1990 to 2000, SUV sales tripled, growing from nearly 1 million units in 1990 to 2 million units in 1996 and passing 3 million sold in 2000. Why are these vehicles so popular? Primarily it is the security of four-wheel drive and the higher clearance for extra traction in adverse driving conditions. These vehicles also typically have more space for hauling cargo.

Reacting to high demand for the Jeep Cherokee, Ford Explorer, and Chevy Blazer, manufacturers from outside the United States introduced models of their own at a variety of price points (see Table 7-5). Dozens of SUV models have become available as Toyota, Mazda, Honda, Kia, Nissan, Rover, BMW, Mercedes, Volkswagen, and other global automakers have targeted American buyers. Many manufacturers offer various SUV styles, including full-size, mid-size, compact, and crossover versions. Even as growth in SUV sales slows in the United States, SUVs are growing in popularity in many other countries. In China, for example, SUVs account for approximately 40 percent of auto imports and represent the fastest-growing sector in the auto industry. In 2008, GM started exporting its popular Escalade to China; the sticker price is the equivalent of about $150,000.

Potential Competition

A market segment or country market characterized by strong competition may be a segment to avoid. However, if the competition is vulnerable in terms of price or quality disadvantages, it is possible for a market newcomer to make significant inroads. Over the past several decades, for example, Japanese companies in a variety of industries have targeted the U.S. market despite the presence of entrenched domestic market leaders. Some of the newcomers proved to be extremely adept at segmenting and targeting; as a result, they made significant inroads. In the motorcycle industry, for example, Honda first created the market for small-displacement dirt bikes. The company then moved upmarket with bigger bikes targeted at casual riders whose psychographic profiles were quite different from those of the hard-core Harley-Davidson rider. In document imaging, Canon outflanked Xerox by offering compact desktop copiers and targeting department managers and secretaries. Similar examples can be found in earthmoving equipment (Komatsu versus Caterpillar), photography (Fuji versus Kodak), and numerous other industries.

By contrast, many examples can be cited of companies whose efforts to develop a position in an attractive country market ended in failure. For example, Germany's DHL tried to enter the U.S. package-delivery market in 2003; to achieve scale, DHL acquired Airborne Express. However, management underestimated the dominance of the entrenched incumbents FedEx and UPS. DHL finally withdrew from the United States market in 2008 after losses totaling nearly $10 billion. Likewise, Walmart pulled out of South Korea and Germany after failing to find the right positioning and product mix.

Virgin chief executive Richard Branson learned important lessons in the mid-1990s when he launched Virgin Cola, directly targeting Coca-Cola's core market (see Exhibit 7-9). In his book *Business Stripped Bare: Adventures of a Global Entrepreneur*, Branson recalls:

Exhibit 7-9 Virgin Group chief Sir Richard Branson has an uncanny knack for generating publicity. He has crossed the Atlantic Ocean by hot-air balloon and by speedboat—both ventures sponsored by Virgin, of course. In 1998, Branson famously rode into New York's Times Square on a military tank and crushed a pile of Coca-Cola cans for the launch of Virgin Cola. For Virgin Cola's Japanese launch, Branson donned a costume for a public appearance in Tokyo.
Source: PA Images/Alamy Stock Photo.

> Starting a soft-drinks war with Coca-Cola was crazy. It was one of our highest profile business mistakes.... We somehow contrived to blind ourselves completely to the power and the influence of a global brand that epitomizes the strength and reach of American capitalism.[39]

Feasibility and Compatibility

If a market segment is judged to be large enough, and if strong competitors are either absent or deemed to be vulnerable, then the final consideration is whether a company can and should target that market. The feasibility of targeting a particular segment can be negatively impacted by various factors. For example, significant regulatory hurdles may limit market access. This issue is especially important in China today. Other marketing-specific issues can also arise. In India, for example, 3 to 5 years of work is required to build an effective distribution system for many consumer products. This fact may serve as a deterrent to foreign companies that would otherwise be attracted by the apparent potential of India's large population.[40]

Managers must decide how well a company's product or business model fits the country market in question. Alternatively, if the company does not currently offer a suitable product, can it develop one? To make this decision, a marketer must consider several criteria:

- Will adaptation be required? If so, is this move economically justifiable in terms of the expected sales volume?
- 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?
- Is it advisable to source locally? In many cases, reaching global market segments requires considerable expenditures for distribution and travel by company personnel. Would it make sense to source products in the country for export elsewhere in the region?

Finally, it is important to address the question of whether targeting a particular segment is compatible with the company's overall goals, brand image, or established sources of competitive advantage. For example, BMW is one of the world's premium auto brands. Should BMW add a minivan to its product lineup? For now, management is responding to other competitive opportunities and threats. In 2013, BMW unveiled the i-Series electric sedan as an alternative for drivers shopping for a plug-in car such as the Tesla Model S. Meanwhile, Maserati is taking aim at BMW's 5 Series: The Italian company has unveiled a $65,000 "entry-level" model. Management hopes that the appeal of Italian chic paired with a Ferrari engine will prove irresistible to luxury car buyers.[41]

A Framework for Selecting Target Markets

As one can infer from this discussion, it would be extremely useful to have formal tools or frameworks available when assessing emerging country markets. Table 7-6 presents a market selection framework that incorporates some of the elements just discussed. Suppose an American company has identified China, Russia, and Mexico as potential country target markets. The table shows the countries arranged in declining rank by market size. At first glance, China might appear to hold the greatest potential simply on the basis of size. However, the competitive advantage of our hypothetical firm is 0.07 in China, 0.10 in Russia, and 0.20 in Mexico. Multiplying the market size and competitive advantage index yields a market potential of 7 in China, 5 in Russia, and 4 in Mexico.

The next stage in the analysis requires an assessment of the various market access considerations. In Table 7-6, all these conditions or terms are reduced to an index number of terms of access, which is 0.50 for China, 0.35 for Russia, and 0.90 for Mexico. In other words, the "market access considerations" are more favorable in Mexico than in Russia or China. At present, market conditions are perilous in Russia due to sanctions imposed by the United States and Europe in response to Russia's interference in Ukraine. Also, Russian President Vladimir Putin has proved to be mercurial and unpredictable. Multiplying the market potential by the terms of access index suggests that Mexico, despite its small size, holds greater market potential than China or Russia.

Although the framework in Table 7-6 should prove useful as a preliminary screening tool for intercountry comparisons, it does not go far enough in terms of assessing actual market potential. Global marketing expert David Arnold has developed a framework that goes beyond demographic data and considers other, marketing-oriented assessments of market size and growth potential. Instead of a "top-down" segmentation analysis beginning with, for example, income or population data from a particular country, Arnold's framework is based on a "bottom-up" analysis that begins at the product-market level.

As shown in Figure 7-1, Arnold's framework incorporates two core concepts: marketing model drivers and enabling conditions. **Marketing model drivers** are key elements or factors required for a business to take root and grow in a particular country market environment. The drivers may differ depending on whether a company serves consumer or industrial markets. Does success hinge on establishing or leveraging a brand name? In Vietnam, for example, Procter & Gamble promotes its Tide detergent brand as "Number 1 in America." Or is distribution the key element? Or a tech-savvy sales staff? Marketing executives seeking an opportunity must arrive at insights into the true driving force(s) that will affect success for their particular product market.

Enabling conditions are structural market characteristics whose presence or absence can determine whether the marketing model can succeed. For example, in India, refrigeration is not widely available in shops and market food stalls. This factor creates challenges for Nestlé and Cadbury as they attempt to capitalize on Indians' increasing appetite for chocolate confections. Although Nestlé's KitKat and Cadbury's Dairy Milk bars have been reformulated to better withstand the heat, the absence or rudimentary nature of refrigeration hampers the companies' efforts to ensure their products are in saleable condition.

After marketing model drivers and enabling conditions have been identified, the third step is for management to weigh the estimated costs associated with entering and serving the market against the potential short- and long-term revenue streams. Does this segment or country market merit entry now? Or would it be better to wait until specific enabling conditions are established?

The issue of timing is often framed in terms of the quest for **first-mover advantage**; the conventional wisdom suggests that the first company to enter a market has the best chance of becoming the market leader. Examples from the annals of global marketing that appear to support

TABLE 7-6 Market Selection Framework

Market (population)	Market Size	Competitive Advantage		Market Potential	Terms of Access	Market Potential
China (1.3 billion)	100	0.07	=	7	0.50	3.5
Russia (143 million)	50	0.10	=	5	0.35	1.7
Mexico (122 million)	20	0.20	=	4	0.90	3.6

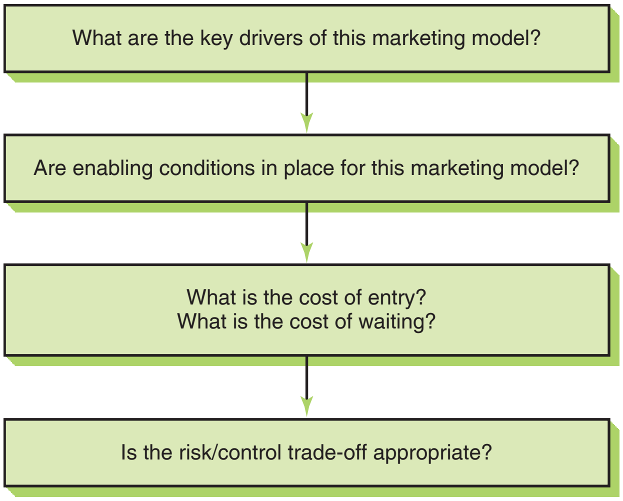

FIGURE 7-1 Screening Criteria for Market Segments

Source: David Arnold, *The Mirage of Global Markets: How Globalizing Companies Can Succeed as Markets Localize."* © 2004 Reprinted by permission of Pearson Education, Inc. Upper Saddle River, NJ.

this notion include the Coca-Cola Company, which established itself globally during World War II. However, there are also first-mover *disadvantages*. The first company to enter a market often makes substantial investments in marketing, only to find that a late-arriving competitor reaps some of the benefits from its efforts.

Ample evidence suggests that late entrants into global markets can also achieve success. One way they do this is by benchmarking established companies and then outmaneuvering them, first locally and then globally. Jollibee, the Philippines-based fast-food chain whose business model was influenced by McDonald's, is a case in point. Late movers can also succeed by developing innovative business models. This approach was used by Stephen Millar, chief executive of Australian wine producer BRL Hardy. Millar's insight was that no leading global brand had emerged in the wine business; in other words, there was no equivalent to Coca-Cola in the wine business. During the 1990s, Millar established Hardy as a leading global brand. He accomplished this by moving on several fronts. First, he took control of the sales function. Second, he made sure Hardy's wines were crafted to appeal to a broader demographic than "wine snobs," who tend to favor bottles from France and Italy. Third, he supplemented Hardy's line of Australian wines with selected brands from other countries. In 2002, Hardy sold 20 million cases of wine worldwide; today, it is one of the world's top 10 wine companies.[42]

One way to determine the marketing model drivers and enabling conditions is to create a product–market profile. The profile should address some or all of the following basic questions:

1. Who buys our product or brand?
2. Who does not buy our product or brand?
3. What need or function does our product serve? Does our product or brand address that need?
4. Is there a market need that is not being met by current product or brand offerings?
5. What problem does our product solve?
6. What are customers currently buying to satisfy the need, or solve the problem, that our product targets?
7. What price are they paying for the product they are currently buying?
8. When is our product purchased?
9. Where is our product purchased?

7-3 Product–Market Decisions

◀ **7-3** Understand how global marketers use a product–market grid to make targeting decisions.

The next step in assessing market segments is a company review of current and potential product offerings in terms of their suitability for the country market or segment. This assessment can be performed by creating a product–market grid that maps markets as horizontal rows on a spreadsheet and products as vertical columns. Each cell represents the possible intersection of a product and a market segment. In the case of the candy companies discussed earlier, both Nestlé

EMERGING MARKETS BRIEFING BOOK

Middle Eastern Airlines Target Lucrative Global Markets

Are you shopping for a flight between Chicago and Bangkok? Frankfort and Singapore? Toronto and Dubai? Your first thought might be to book your trip on a home-country carrier such as United, Lufthansa, or Air Canada, all of which are members of the Star Alliance partnership. These days, however, your choices also include Emirates Airline, which is based in the United Arab Emirates (UAE). Etihad Airways, based in the emirate of Abu Dhabi, and Qatar Airways have also been expanding their international operations (see Exhibit 7-10).

All three Middle Eastern carriers are government owned. Thanks to international open-skies agreements negotiated by the U.S. State Department, these and other foreign carriers can now fly in and out of the United States much more frequently than they did in the past. Germany also has opened its market. By contrast, in Canada, where air treaties are more restrictive, the Middle Eastern carriers have less penetration in terms of number of weekly flights.

Deregulation of the airline industry in the United States has resulted in more consumer choice and lower prices, among other benefits for passengers. As Emirates and other Middle Eastern carriers penetrate more deeply into the world's largest aviation market, they are becoming known for very high-quality in-flight service. All offer a limited number of first-class suites to address the needs of the elite travel segment. And, blessed with prime geographic locations, the "Gulf Three" carriers have collectively earned the nickname "superconnectors" because their respective hubs can link so many air travelers.

The newcomers are spending lavishly on advertising and promotional events to build brand awareness. For example, Emirates Airline sponsored the 2014 U.S. Open tennis championship, and it is the official airline of the San Francisco Symphony. The Persian carriers have also booked a large number of orders for jumbo jets from Boeing and Airbus, meaning they will have plenty of capacity on long-haul flights. In fact, the number of seats available on flights originating in the United States has increased dramatically in the past few years. Meanwhile, Dubai International Airport rivals London's Heathrow in terms of the number of international passengers who pass through this facility.

At the same time, the Middle Eastern newcomers have encountered some opposition. United Continental, American Airlines, and Delta have filed complaints with the U.S. government that the state-owned carriers benefit from substantial government subsidies. According to the complaint, subsidies, along with tax exemptions and access to low-cost airport services, allow the carriers to sell seats at below cost in the United States and other markets.

All three Gulf carriers have experienced other barriers to growth as well. For example, Qatar's bookings dropped dramatically after four of its Middle Eastern neighbors initiated an air and sea blockade in June 2017. Bahrain, Egypt, Saudi Arabia, and the UAE imposed the embargo amid allegations that Qatar harbored terrorists. Meanwhile, Etihad's strategy of investing in struggling carriers faltered, with Air Berlin and Alitalia going into receivership. And Emirates Airline, the oldest of the three, saw declining passenger traffic due to immigration restrictions in the United States as well as a ban on in-cabin laptop computers—later lifted—on flights into the United States.

Sources: Tanya Powley and Simeon Kerr, "A Hard Landing for High Flyers," *Financial Times Big Read: Middle East Aviation* (September 6, 2017), p. 9; Susan Carey, "Gulf Airlines Force Question: Join or Fight?" *The Wall Street Journal* (March 17, 2015), pp. B1, B4; Susan Carey, "Persian Gulf Airlines' Service Wins U.S. Fans," *The Wall Street Journal* (March 17, 2015), p. B4; Susan Carey, "U.S. Airlines Clash over Rivals from Persian Gulf," *The Wall Street Journal* (February 24, 2015), pp. B1, B5; Scott McCartney, "Airlines Compete to Become First in First Class," *The Wall Street Journal* (December 17, 2014), p. D3; Ben Mutzabaugh, "Lufthansa Looks to Make Bigger Mark on U.S. Market," *USA Today* (November 17, 2014), p. 5B; Scott McCartney, "Now Landing: Tough Challengers—Emirates, Etihad, and Qatar Accelerate Their Push to Win U.S. Fliers," *The Wall Street Journal* (November 6, 2014), p. D1.

Exhibit 7-10 Emirates Airline and other carriers based in the Middle East are targeting flyers in the United States and other key markets.

Source: pio3/Shutterstock.

and Cadbury determined that a liquid chocolate confection would be one way to address the issue of India's hot weather. The companies are also working to improve the enabling conditions for selling traditional chocolate treats by supplying coolers to merchants.

Table 7-7 shows a product–market matrix for Lexus. Toyota launched the Lexus brand in 1989 with two sedan models. In market segmentation terms, the luxury car buyer Lexus hoped to attract is associated with an upper-income demographic. In 1996, Lexus launched its first SUV. The decision to enter the SUV product–market intersection represented the brand management's desire to reach upper-income consumers whose lifestyles required something other than a luxury sedan. In 2012, Lexus offered a total of 11 different models in the United States; these included the top-of-the line LX 470 luxury utility vehicle, the LS 430 luxury sedan, and, at the entry level, the IS series. Lexus vehicles are marketed in more than 60 countries; the United States is the number 1 market. In an odd twist, in Japan, the vehicles were sold for years under the Toyota nameplate; the line was relaunched under the Lexus brand in 2005.[43]

Toyota management intends to build Lexus into a global luxury brand; worldwide 2016 sales totaled 677,615 vehicles. To achieve its ultimate goal, Lexus has to target Germany, the largest market in Europe, where 4 in 10 vehicles sold are luxury models. Approximately 15 million cars are sold in Europe each year, and Germany accounts for nearly one-fourth of the total. At the beginning of 2013, there were about 25,000 registered Lexus vehicles in Germany; by comparison, total vehicle registrations for Mercedes and BMW exceeded 6.8 million. Can Lexus succeed on the home turf of two of the world's leading luxury car makers?

Armed with the understanding that local brands account for more than 90 percent of German auto sales in the premium segment, Lexus has made significant product adaptations. For example, because Germans want the option of buying vehicles with diesel engines, Lexus developed new diesel models as well as a gas–electric hybrid engine for the RX series. Note that in Europe, Lexus offers the top-of-the-line LX 470 SUV in only one country: Russia. Can you explain this situation? How do the model offerings vary among the BRICS countries?

7-4 Targeting and Target Market Strategy Options

◀ **7-4** Compare and contrast the three main target market strategy options.

After evaluating the identified segments in terms of the three criteria presented earlier—segment size and growth rate, potential competition, and feasibility—a company must decide whether it will pursue a particular opportunity. Not surprisingly, in global marketing one fundamental decision concerns which country or regional market(s) to enter. For example, Hershey, the U.S.-based confectionary company, recently targeted the United Kingdom, Europe, and the Middle East, where Mars and Kraft are the dominant players. Previously, Hershey's business was concentrated in North and South America and Asia. Consider also the following examples of targeting:

- The global home furnishings market can be segmented in terms of gender. Approximately 70 percent of IKEA's customers are women.
- India's vehicle market can be segmented into scooter and motorcycle drivers and those who can afford a vehicle with four wheels. The target market for Tata Motors' Nano microcar is two-wheeled drivers who are willing and able to upgrade to four wheels. When the Nano was launched in April 2009, Ratan Tata predicted sales of 20,000 vehicles per month.
- American car buyers can be segmented by age. Toyota's Scion (now discontinued) was targeted at Generation Y—twenty-somethings who were buying their first car.

If the decision is made to proceed, an appropriate targeting strategy must be developed. The three basic categories of target marketing strategies are standardized marketing, concentrated marketing, and differentiated marketing.

Standardized Global Marketing

Standardized global marketing is analogous to mass marketing in a single country. It involves creating the same marketing mix for a broad mass market of potential buyers. Standardized global marketing, also known as *undifferentiated target marketing*, is based on the premise that a mass market exists around the world. In addition, that mass market is served with a marketing mix of standardized elements. Product adaptation is minimized, and a strategy of intensive distribution

TABLE 7-7 2012 Product–Market Grid for Lexus, Selected Country Markets

Country Segment	Lexus Brand										
	IS	RX	CT	LS	GS	IS C	IS F	LX	ES	LFA	HS
Asia											
China	X	X	X	X	X	X		X	X	X	
Hong Kong	X	X	X	X	X	X				X	
Taiwan	X	X	X	X	X	X	X	X	X		
India											
North America											
Canada	X	X	X	X	X	X	X	X	X	X	X
United States	X	X	X	X	X	X	X	X	X	X	X
Latin America											
Brazil	X			X					X		
Europe											
Austria	X	X	X	X	X	X	X				
Belgium	X	X	X	X	X	X	X				
Denmark	X	X	X		X						
Finland	X	X	X	X	X	X	X				
France	X	X	X	X	X	X	X			X	
Germany	X	X	X	X	X	X	X			X	
Great Britain	X	X	X	X	X	X	X			X	
Greece	X	X	X		X						
Ireland	X	X	X	X		X	X				
Netherlands	X	X	X	X	X	X	X				
Portugal	X	X	X		X	X	X				
Russia	X	X	X	X	X	X	X	X	X		
Sweden	X	X	X	X	X	X	X				
Switzerland	X	X	X	X	X	X	X				
Middle East											
Israel	X	X	X	X	X	X					
United Arab Emirates	X	X	X	X	X	X	X	X	X	X	
Kuwait	X	X	X	X	X	X	X	X	X	X	
Saudi Arabia	X	X	X	X	X	X	X	X	X		

Source: Used by permission of Toyota Motor Corporation.

ensures that the product is available in the maximum number of retail outlets. The appeal of standardized global marketing is clear: lower production costs. The same is true of standardized global communications.

Concentrated Global Marketing

The second global targeting strategy, concentrated target marketing, involves devising a marketing mix to reach a **niche**. A niche is simply a single segment of the global market. In cosmetics, Estée Lauder, Chanel, and other cosmetics marketers have used this approach successfully to target the upscale, prestige segment of the market. As Leonard Lauder remarked recently, "The founders, who were my parents, had two very simple ideas: product quality and narrow distribution to high-end retailers. We never went mass."[44]

Concentrated targeting is also the strategy employed by the hidden champions of global marketing: companies unknown to most people that have succeeded by serving a niche market that exists in many countries. These companies define their markets narrowly and strive for global depth rather than national breadth. For example, Germany's Winterhalter is a hidden champion in the dishwasher market, but the company has never sold a dishwasher to a consumer, hospital, or school. Instead, it focuses exclusively on dishwashers and water conditioners for hotels and restaurants. As Jürgen Winterhalter noted, "The narrowing of our market definition was the most important strategic decision we ever made. It is the very foundation of our success in the past decade."[45]

Differentiated Global Marketing

The third target marketing strategy, **differentiated global marketing**, represents a more ambitious approach than concentrated target marketing. Also known as **multisegment targeting**, this approach entails targeting two or more distinct market segments with multiple marketing mix offerings. This strategy allows a company to achieve wider market coverage. For example, Danone SA, the French food products company, targets consumers in developed countries with premium brands such as Evian and Badoit mineral water and the Dannon and Activia yogurt brands. When he was Danone's CEO, Franck Riboud also focused on developing markets. In Bangladesh, Shoktidoi is an inexpensive yogurt brand sold by local women. In Senegal, Danone's offerings include 50-gram packets of Dolima drinkable yogurt that sell for 50 cents.[46] Positioning, which we discuss in the next section, is key to successful execution of this strategy (see Exhibit 7-11).

As Riboud has noted, different brands within any one of the company's multiple product lines are positioned differently. In its line of bottled waters, for example, Evian's positioning associates the brand with health and beauty—a promise of youthful looks through drinking water. Marketing communications for the Volvic brand utilize the same creative strategy, but the appeal and creative execution focus on energy through replenishing the body during or after physical exertion. The two brands don't cannibalize each other, because they're positioned as promoting different qualities.[47]

In the cosmetics industry, Unilever pursues differentiated global marketing strategies by targeting both ends of the perfume market. Unilever targets the luxury market with Calvin Klein and Elizabeth Taylor's Passion; Wind Song and Brut are its mass-market brands. Mass marketer

Exhibit 7-11 The positioning of PepsiCo's Lifewtr brand is based on the belief that "art ignites inspiration, and inspiration is as essential as water."

Source: Mike Coppola/Getty Images

Procter & Gamble, known for its Old Spice and Incognito brands, also embarked upon this strategy with its 1991 acquisition of Revlon's EuroCos, marketer of Hugo Boss for men and Laura Biagiotti's Roma perfume. In the mid-1990s, it launched a new prestige fragrance, Venezia, in the United States and several European countries. Currently, Procter & Gamble also markets Envy, Rush, and other Gucci fragrances as a licensee of the Italian fashion house.

▸ **7-5** Describe the various positioning options available to global marketers.

7-5 Positioning

The term *positioning* is attributed to marketing gurus Al Ries and Jack Trout, who first introduced it in a 1969 article published in *Industrial Marketing* magazine. As noted at the beginning of the chapter, positioning refers to the act of differentiating a brand in customers' minds in relation to competitors in terms of attributes and benefits that the brand does and does not offer. Put differently, positioning is the process of developing strategies for "staking out turf" or "filling a slot" in the mind of target customers.[48]

Positioning is frequently used in conjunction with the segmentation variables and targeting strategies discussed previously. For example, Unilever and other consumer goods companies often engage in differentiated target marketing, offering a full range of brands within a given product category. Unilever's various detergent brands include All, Wisk, Surf, and Persil; each is positioned slightly differently. In some instances, extensions of a popular brand can also be positioned in different ways. Colgate's Total toothpaste is positioned as the brand that addresses a full range of oral health issues, including gum disease. In most parts of the world, Total is available in several formulations, including Total Advanced Clean, Total Clean Mint Paste, and Total Whitening Paste. Effective positioning differentiates each variety from the others.

In the decades since Ries and Trout first focused attention on the importance of the concept, marketers have utilized a number of general positioning strategies. These include positioning by attribute or benefit, quality and price, use or user, or competitor.[49] Recent research has identified three additional positioning strategies that are particularly useful in global marketing: global consumer culture positioning, local consumer culture positioning, and foreign consumer culture positioning.

Attribute or Benefit

A frequently used positioning strategy exploits a particular product attribute, benefit, or feature. Economy, reliability, and durability are frequently used attribute/benefit positions. Volvo automobiles are known for solid construction that offers safety in the event of a crash. By contrast, BMW is positioned as "the ultimate driving machine," a reference that signifies high performance. In the ongoing credit card wars, Visa's long-running advertising theme "It's Everywhere You Want to Be" drew attention to the benefit of worldwide merchant acceptance. In global marketing, it may be deemed important to communicate the fact that a brand is imported, an approach known as *foreign consumer culture positioning* (FCCP).

Quality and Price

A positioning strategy based on quality and price can be thought of in terms of a continuum from high fashion/quality and high price to good value (rather than "low quality") at a reasonable price. A legendary print ad campaign for Belgium's Stella Artois beer included various executions that positioned the brand at the premium end of the market. One ad juxtaposed a cap pried off a bottle of Stella with a close-up of a Steinway piano. The tagline "Reassuring expensive" was the only copy; upon close inspection of the Steinway, the reader could see that one of the keys was broken because it had been used to open the bottle! InBev, the world's biggest brewer in terms of volume, markets the Stella Artois brand. While Stella is regarded as an "everyday" beer in its local market of Belgium, the marketing team at InBev has repositioned it as a premium global brand.[50]

At the high end of the distilled spirits industry, marketers of imported vodkas such as Belvedere and Grey Goose have successfully positioned their brands as super-premium entities selling for twice the price of premium ("ordinary") vodka. Ads for several export vodka brands emphasize their national origins, demonstrating how FCCP can reinforce quality and price positioning. Marketers sometimes use the phrase "transformation advertising" to describe advertising that seeks to change the experience of buying and using a product—in other words, the product benefit—to justify a higher-price/quality position. Presumably, buying and drinking Grey Goose (from France), Belvedere (Poland), or Ketel One (the Netherlands) is a more gratifying consumption experience than buying and drinking a "bar brand" such as Popov (who knows where it's made?).

Use or User

Another positioning strategy represents how a product is used or associates the brand with a user or class of users. For example, to capitalize on the global success and high visibility of the *Lord of the Rings* trilogy, Gillette's Duracell battery unit ran print and TV ads proclaiming that when on location in remote areas of New Zealand, *Rings* director Peter Jackson and his crew used Duracell exclusively. Likewise, Max Factor makeup is positioned as "the makeup that makeup artists use." Pulsar watch associates the brand with a handsome man who is "addicted to reality TV" and enjoys reading Dostoevsky.

Competition

Implicit or explicit reference to competitors can provide the basis for an effective positioning strategy. For example, when Anita Roddick started The Body Shop International in the 1970s, she emphasized the difference between the principles pursued by "mainstream" health and beauty brands and those of her company. The Body Shop brand stands for natural ingredients, no animal testing, and recyclable containers. In addition, the company sources key ingredients via direct relationships with suppliers throughout the world; sustainable sourcing and paying suppliers fair-trade prices are integral to the brand's essence. Moreover, Roddick abandoned the conventional industry approach of promising miracles; instead, women are given realistic expectations of what health and beauty aids can accomplish.

Dove's "Campaign for Real Beauty" broke new ground by positioning the brand around a new definition of beauty. The campaign was based on research commissioned by Silvia Lagnado, Dove's global brand director. The research indicated that, worldwide, only 2 percent of women considered themselves to be beautiful. Armed with this insight, Ogilvy & Mather Worldwide's office in Dusseldorf developed the concept that was the basis of the Real Beauty campaign. To strengthen the connection between this campaign and Dove's products, Dove launched a Web community in 2008. Visitors to the site could watch "Fresh Takes," a miniseries that aired on MTV, as well as seek medical advice on skin care.[51]

Global, Foreign, and Local Consumer Culture Positioning

As noted in Chapter 4 and discussed briefly in this chapter, global consumer culture positioning is a strategy that can be used to target various segments associated with the emerging global consumer culture.[52] **Global consumer culture positioning (GCCP)** is defined as a strategy that identifies a brand as a symbol of a particular global culture or segment. It has proved to be an effective strategy for communicating with global teens, cosmopolitan elites, globe-trotting laptop warriors who consider themselves members of a "transnational commerce culture," and other groups. For example, Sony's brightly colored "My First Sony" line is positioned as *the* electronics brand for youngsters around the globe with discerning parents. Philips' current global corporate image campaign is keyed to the theme "Sense and Simplicity." Benetton uses the slogan "United Colors of Benetton" to position itself as a brand concerned with the unity of humankind. Heineken's strong brand equity around the globe can be attributed in good measure to a GCCP strategy that reinforces consumers' cosmopolitan self-images.

Certain categories of products lend themselves especially well to GCCP. High-tech and high-touch products are both associated with high levels of customer involvement and by a shared "language" among users.[53] *High-tech products* are sophisticated, technologically complex, and/or difficult to explain or understand. When shopping for them, consumers often have specialized needs or interests and rational buying motives. High-tech brands and products are frequently evaluated in terms of their performance against established, objective standards. Portable MP3 players, cell phones, personal computers, home theater audio/video components, luxury automobiles, and financial services are some of the high-tech product categories for which companies have established strong global positions. Buyers typically already possess—or wish to acquire—considerable technical information. Generally speaking, for example, computer buyers in all parts of the world are equally knowledgeable about Pentium microprocessors, 500-gigabyte

Exhibit 7-12 This Portuguese-language Bridgestone print ad underscores the point that although Bridgestone is a global company, it is a local one as well. Translation: "There is only one thing better than a Japanese tire. A Japanese tire made in Brazil. Made in Brazil with Japanese technology."
Source: Bridgestone Americas Tire Operations, LLC.

hard drives, software RAM requirements, and high-resolution flat-panel displays. High-tech global consumer positioning also works well for special-interest products associated with leisure or recreation. Fuji bicycles, Adidas sports equipment, and Canon cameras are examples of successful global special-interest products. Because most people who buy and use high-tech products "speak the same language" and share the same mind-set, marketing communications should be informative and emphasize performance-related attributes and features to establish the desired GCCP (see Exhibit 7-12).

By contrast, when shopping for *high-touch products*, consumers are generally energized by emotional motives rather than rational ones. Consumers may feel an emotional or spiritual connection with high-touch products, the performance of which is evaluated in subjective, aesthetic terms rather than objective, technical terms. Acquisition of high-touch products may represent an act of personal indulgence, reflect the user's actual or ideal self-image, or reinforce interpersonal relationships between the user and family members or friends. High-touch products appeal to the senses more than the intellect; if a product comes with a detailed user's manual, it's probably high tech rather than high touch.

Luxury perfume, designer fashions, and fine champagne are all examples of high-touch products that lend themselves to GCCP. Some high-touch products are linked with the joy or pleasure found in "life's little moments." Ads that show friends chatting over a cup of coffee in a café or someone's kitchen put the product at the center of everyday life. As Nestlé has convincingly demonstrated with its Nescafé brand, this type of high-touch, emotional appeal is understood worldwide.

"Chinese companies are certainly growing but they haven't yet acquired the skills that make their Western peers so successful in 'high tech and high touch' industries."[54]

Pankaj Ghemwat, Professor of Global Strategy, IESE Business School, Barcelona

A brand's GCCP can be reinforced by the careful selection of the thematic, verbal, or visual components that are incorporated into advertising and other communications. For marketers seeking to establish a high-touch GCCP, leisure, romance, and materialism are three themes that cross borders well. For high-tech products such as global financial services, professionalism and experience are advertising themes that work well. In the early 1990s, for example, Chase Manhattan bank launched a $75 million global advertising campaign geared to the theme "Profit from experience." According to Aubrey Hawes, a vice president and corporate director of marketing for the bank, Chase's business and private banking clients "span the globe and travel the globe. They can only know one Chase in their minds, so why should we try to confuse them?"[55] Presumably, Chase's target audience is sophisticated enough to appreciate the subtlety of the copywriter's craft—"profit" can be interpreted as either a noun ("monetary gain") or a verb ("reap an advantage").

In some instances, products may be positioned globally in a "bipolar" fashion as both high tech and high touch. This approach can be used when products satisfy buyers' rational criteria while evoking an emotional response. For example, audio/video components from Denmark's Bang & Olufsen (B&O), by virtue of their performance and elegant styling, are perceived as both

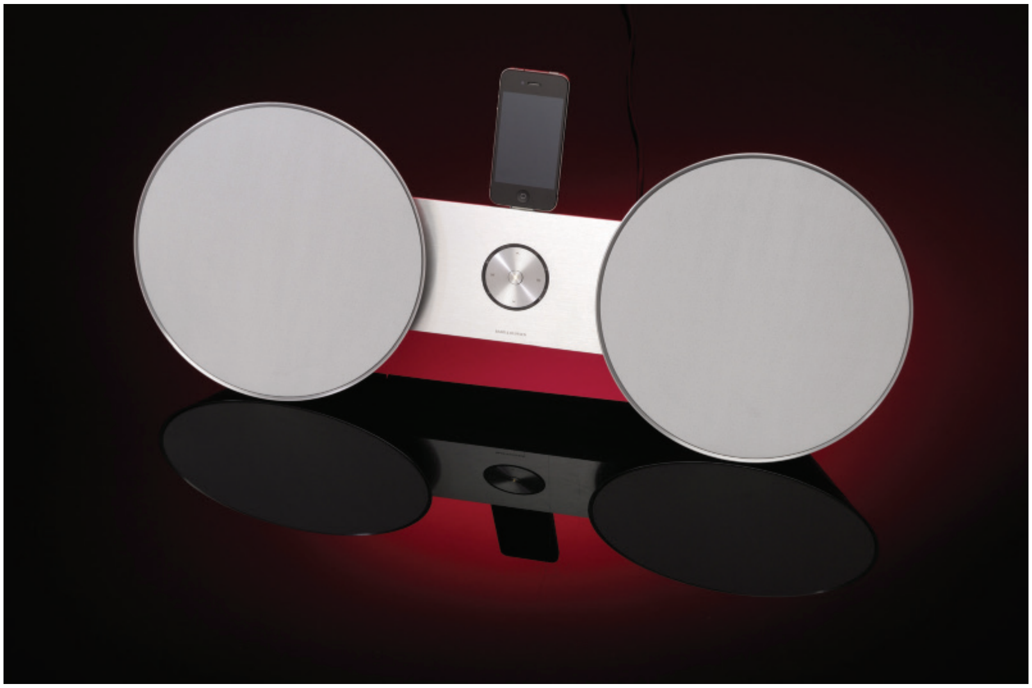

Exhibit 7-13 Renowned worldwide for Danish craftsmanship and innovation, Bang & Olufsen is a textbook example of high-touch, high-tech global brand positioning. At left is Bang & Olufsen's BeoPlay A8 speaker dock. One reviewer called it "a truly exceptional product . . . the coolest and most 'now' product B&O has made for years."

Source: David Caudery/Tap Magazine via Getty Images.

high tech (i.e., advanced engineering and sonically superior) and high touch (i.e., sleek, modern design; see Exhibit 7-13). As former CEO Torben Ballegaard Sørensen explained, "Our brand is about feeling good at home, or where you feel at home—in a car or in a hotel. When daily life is cluttered, you can come home to a system that works and is tranquil. It cocoons you."[56]

Apple became the world's most valuable tech company by combining state-of-the-art technical performance with a fashion orientation that allows users to view their iPods, iPhones, and Apple Watches as extensions of themselves. Apple positions its products on the basis of both performance and design (writing in the *Financial Times*, a reviewer called the iPod "an all-time design classic"). Positioning itself as a luxury brand with the 2015 launch of its watch, Apple segmented the market by offering three pricing tiers: the $349 Sport model; a mid-tier model with a stainless steel case; and an Edition model priced at $10,000. Similarly, in 2017, Apple launched the iPhone 8 ($699), the iPhone 8 Plus ($799), and the iPhone X ($999).

To the extent that English is the primary language of international business, mass media, and the Internet, one can make the case that English signifies modernism and a cosmopolitan outlook. Therefore, the use of English in advertising and labeling throughout the world is another way to achieve GCCP. Benetton's tagline "United Colors of Benetton" appears in English in all of the company's advertising. The implication is that fashion-minded consumers everywhere in the world shop at Benetton. English is often used as a marketing tool in Japan. Even though a native English speaker would doubtless find the syntax to be muddled, it is the symbolism associated with the use of English that counts, rather than the specific meanings that the words might (or might not) convey.

Another way to reinforce a GCCP is to use brand symbols whose interpretation defies association with a specific country culture. Examples include Nestlé's "little nest" logo with an adult bird feeding its babies, the Nike swoosh, and the Mercedes-Benz star.

The marketing strategy known as **foreign consumer culture positioning (FCCP)** associates the brand's users, use occasions, or production origins with a foreign country or culture. A long-running campaign for Foster's Brewing Group's U.S. advertising proudly trumpeted the brand's national origin; print ads featured the tagline "Foster's. Australian for beer," while TV and radio spots were keyed to the theme "How to speak Australian." Needless to say, these ads were not used in Australia itself! Advertising for Constellation Brands' Modelo brand is identified more generally with Latin America. The "American-ness" of Levi jeans, Marlboro cigarettes, American Apparel clothing, and Harley-Davidson motorcycles—sometimes conveyed with subtlety, sometimes not—enhances their brands' appeal to cosmopolitans around the world and offers opportunities for FCCP.

IKEA, the home furnishings retailer based in Sweden, wraps itself in the Swedish flag—literally. Inside and out, IKEA's stores are decorated in the national colors of blue and yellow. To reinforce the chain's Scandinavian heritage—and to encourage shoppers to linger—many stores feature cafeterias in which Swedish meatballs and other foods are served! Sometimes, brand names suggest an FCCP, even though a product is of local origin. For example, the name "Häagen-Dazs" was made up to imply a Scandinavian origin for the product, even though an American company launched the ice cream. Conversely, a popular chewing gum in Italy marketed by Perfetti bears the brand name "Brooklyn."

Marketers can also utilize **local consumer culture positioning (LCCP)**, a strategy that associates the brand with local cultural meanings, reflects the local culture's norms, portrays the brand as consumed by local people in the national culture, or depicts the product as locally produced for local consumers. An LCCP approach can be seen in Budweiser's U.S. advertising; ads featuring the iconic Clydesdale horses, for example, associate the brand with small-town American culture. Researchers studying television advertising in seven countries found that LCCP predominated, particularly in ads for food, personal nondurables, and household nondurables.

Summary

The global environment must be analyzed 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, ethnicity, or other variables. *Psychographic segmentation* groups people according to attitudes, interests, opinions, and lifestyles. *Behavior segmentation* utilizes *user status* and *usage rate* as segmentation variables. *Benefit segmentation* is based on the benefits buyers seek. *Global teens* and *global elites* are two examples of global market segments.

After marketers have identified segments, the next step is *targeting*: The identified groups are evaluated and compared, and one or more segments with the greatest potential are selected. The groups are then evaluated on the basis of several factors, including segment size and growth potential, competition, and compatibility and feasibility. Target market assessment also entails a thorough understanding of the *product market* in question and determining *marketing model drivers* and *enabling conditions* in the countries under study. The timing of market entry should take into account whether a *first-mover advantage* is likely to be gained. After evaluating the identified segments, marketers must decide on an appropriate targeting strategy. The three basic categories of global target marketing strategies are *standardized global marketing*, *niche* marketing, and *multisegment targeting*.

Positioning a product or brand to differentiate it in the minds of target customers can be accomplished in various ways: *positioning by attribute or benefit*, *positioning by quality/price*, *positioning by use or user*, and *positioning by competition. Global consumer culture positioning (GCCP)*, *foreign consumer culture positioning (FCCP)*, and *local consumer culture positioning (LCCP)* are additional strategic options in global marketing.

Discussion Questions

7-1. During the World Economic Forum's Global Agenda Council on Ageing in 2015, Arnaud Bernaert, the head of Global Health and Healthcare Industries, called on businesses to target people of ages 60 and over. Describe how the automobile, telecommunications, and real estate companies have transformed some of their products or services in targeting the elderly market.

7-2. Describe the various forms of behavioral segmentation and describe the emergence of the global teens and global elites' segments.

7-3. Explain the marketing basis of psychographic segmentation.

7-4. What is positioning? Identify the different positioning strategies presented in the chapter, and give examples of companies or products that illustrate each.

7-5. Two closely related positioning strategies are the country-of-origin positioning strategy and consumer culture positioning strategy. What are these strategies, and how do they differ?

CASE 7-1 *Continued* *(refer to page 236)*

Segmenting the Chinese Luxury Goods Market

Diego Della Valle, chief executive of Italian luxury goods marketer Tod's, has witnessed firsthand the luxury sector's explosive growth in China. In a recent interview, Della Valle noted that China has upended traditional models of the way luxury markets evolve. In the "waterfall" or "cascade" model, a luxury brand's reputation would mature over the course of many years. The reason is simple: Elite, wealthy customers would be the first to purchase high-quality, high-end brands. The middle class would aspire to own those same brands, but only at a later time would they acquire them. In a similar manner, lower-income consumers would aspire to the luxury goods that the middle class had acquired; later, some in the lower-income tier would be able to buy select luxury brands.

Today, Della Valle notes, huge numbers of Chinese consumers are simultaneously demanding luxury goods. The challenge is to maintain an image of exclusivity in the face of exploding popularity. Tod's and other luxury goods marketers are working hard to understand the Chinese luxury consumer. One thing the marketers have discovered is that the millions of newly wealthy Chinese consumers can be divided into several segments: the super-elite, the newly rich, and government officials.

Super-Elite

The first segment, the "super-elite" or "extremely rich," consists of individuals who seized entrepreneurial opportunities in the 1980s when Beijing instituted economic reform policies and began to open China's market. A typical member of this segment is educated, influential, and well respected in Chinese society. These individuals started businesses and now, decades later, number among China's economic elite.

For example, 61-year-old Jianlin Wang has a net worth of more than $15 billion. He is chairman of the Dalian Wanda group, which is a powerful force in Chinese real estate. Wang is the richest man in China, and ranked No. 56 in *Forbes* magazine's 2014 rankings of the world's billionaires. His company currently operates dozens of shopping centers, and is developing plans for a new theme park. Yan Jiehe is another member of the super-elite; a former high school teacher, he rose to prominence by restructuring some of China's poor-performing state-owned enterprises. Pacific Construction Group, the company he founded, is China's largest privately owned construction company.

Newly Rich

The second segment, the "newly rich," consists of Chinese whose wealth, like that of the super-elite, dates back only one generation. In contrast to the super-elite, however, the newly rich typically grew up in rural areas and do not have college educations. While in their 20s, some members of this group moved to large cities seeking new opportunities. Largely self-taught, this group improved their skills by reading and immersing themselves in self-study. After joining the urban workforce, they climbed the corporate ladder and ultimately rose to leadership positions. Not as affluent as the super-elite, this segment spends selectively as well as splurges.

A variation on the newly rich were those Chinese who exhibited little desire to move to the city. Instead, they stayed in the provinces, where they exploited the local natural resources and thereby accumulated wealth on a par with the super-elite. The term *méi laoban* ("coal boss" or "coal baron") was coined to describe rich mine owners from Shanxi Province, where abundant coal reserves are found.

Despite—or because of—their humble origins, members of this group sometimes engage in freewheeling spending and conspicuous consumption. The term *tuhao* is a popular way for Chinese to mock this type of consumer behavior. *Tu* literally means "dirt," but in common usage it has taken on the connotation of "vulgar" or "unrefined." *Hao*'s translation of "rich" is an extension of its original meaning as "bullying" or "despotic." In sum, *tuhao* is a pejorative term that roughly translates as "uncultured rich" and is sometimes applied to *méi laoban* and others with a penchant for profligate spending tied to uncouth behavior.

With these definitions in mind, imagine witnessing the following scene:

> A Chinese couple is shopping at the New York City flagship store of French luxury goods marketer Hermès. The man is a *méi laoban*, the woman his *Xiao San* (Chinese slang for the third woman in a marriage, usually a young woman seeking money from an older married man). The couple is shopping for Hermès's iconic Birkin bag, a limited-production item priced at $10,000 or more. The *Xiao San* has a Birkin on each arm, and can't decide which one she likes better. The *méi laoban* says, "Buy both, buy both, it's just another truck of coal, it's nothing."

Both types of newly rich invest heavily in their children's educations, due in large part to the fact that they themselves did not go to college. (In fact, the term "rich redneck" is sometimes applied to this segment as a put-down.) There is a sense among the newly rich that they neither command the respect nor have the influence of the super-elite. Anxious for their children to earn respect, parents in the newly rich segment aspire to send their children abroad to attend college.

In 2017, there were 350,755 Chinese students enrolled in U.S. educational programs, including secondary schools, undergraduate studies, and graduate school. Chinese students represent one-third of the total international student population in the United States, and their numbers have tripled over the past decade. The most popular programs for these students are STEM ("science, technology, engineering, mathematics") and business administration and marketing. The University of Southern California is currently the number 1 destination for students from China. India, South Korea, Saudi Arabia, and Canada also send tens of thousands of students to the United States each year.

Government Officials

The third luxury subsegment consists of government officials, ranging from senior officials ("tigers") to petty bureaucrats ("flies"). Gift-giving is deeply embedded in 5,000 years of Chinese culture and history. Historically, there is a sales spike in demand for luxury goods each March, when thousands of Communist Party delegates converge on Beijing for annual meetings. Lower-level officials seek favor with superiors by giving Hermès scarves, handbags from Louis Vuitton or Gucci, or Montblanc pens. Overall, government officials account for an estimated 50 percent of luxury goods sales. Chinese businessmen seeking government contracts, business licenses, or tax breaks also buy luxury gifts for government officials. In addition, cash gifts enable the recipients to buy Swiss watches, jewelry, designer clothes, or imported sport utility vehicles.

The result of this behavior has been rampant corruption in China's bureaucracy. In recent years, President Xi Jinping has targeted this group by cracking down on lavish spending, which has dampened demand for some luxury goods. Although bribery is against the law in China, the law is not enforced consistently. To protect their customers, luxury goods companies are discreet. Managers at some stores keep special accounts and use code names for government officials. Sometimes a middleman, rather than the gift-giver, makes the purchase. For example, a private businessman might use his credit card to make the purchase. He then passes the gift off to a government official, who in turn gives it to the ultimate recipient. Thus, the purchase process is sometimes a two-person activity: One person, the gift-giver, selects the gift; the second person pays for it.

Shopping Behavior Varies by Segment

The extremely rich favor luxury brands that reflect the buyers' superior taste. For example, a Louis Vuitton handbag with its iconic monogram would be too commonplace. Instead, this customer would prefer a handbag from Bottega Veneta that offers renowned Italian craftsmanship but signals the brand identity more discreetly. The extremely rich consumer also shops for luxury goods abroad while on business trips or when vacationing. This segment was an early adopter of Apple's iPhone; even before Apple established stores on the mainland, the extremely rich purchased the phones in Hong Kong, the United States, and the United Kingdom.

The newly rich shopper, by contrast, is not as knowledgeable about luxury brands and does not seek out information about them. Coming from a frugal background, this shopper is aware that less-exclusive brands can be purchased for reasonable prices; even so, newly rich shoppers also want a reward for years of hard work. "Practical" luxury brands such as Louis Vuitton, Gucci, and Chanel are the right choice. The exception would be the *tuhao* variant of the newly rich, who would be more status conscious and more likely to make extravagant purchases.

Government officials, the third segment, must be strategic; officials can't flaunt purchases that they can't afford on their state salaries. "Accessible luxury" brands such as Coach are the ideal purchase for this group. This segment also favors group shopping trips arranged by travel agencies. The agency takes care of transportation, accommodations, and other logistical issues; the tourists get to focus on shopping. According to the Paris Tourism Office, nearly 2 million Chinese tourists visited Paris in 2016, where they spent more than €1 billion. Tour buses regularly stop at Galeries Lafayette and other popular destinations in the French capital. Overall, the average Chinese tourist on such trips spends $5,000.

Lincoln's Focus on the Chinese Market

Executives at Ford and the Lincoln Motor Company acknowledge that the Chinese market is critical for the revitalization of the Lincoln nameplate. The Lincoln Continental, out of production since 2002, was once the vehicle of choice for U.S. presidents and Hollywood stars. According to Kumar Galhotra, former group vice president for Lincoln and chief marketing officer for Ford Motor Company, focus groups in China repeatedly use the word "presidential"—for example, referring to John F. Kennedy—when describing Lincoln's heritage and image.

The latest generation of Continental was designed specifically to appeal to wealthy Chinese who can afford chauffeurs. Interior options include premium materials such as Alcantara suede. Now that Beijing has lifted the one child per family limit, some buyers are looking for a vehicle that can carry children as well as grandparents. And, with the Chinese government restricting the number of cars on the road in an effort to reduce pollution, the decision a first-time luxury car buyer makes becomes critical.

Galhotra notes that managers at Lincoln's Chinese dealerships are always on the lookout for ways to enhance the customer experience and build relationships with buyers. One observation: The name of Lincoln's top-of-the-line SUV, the MKX, is hard for Chinese speakers to pronounce. Therefore, starting in 2019, the name will be the Lincoln Nautilus. The localization approach is clearly working: Lincoln's sales in China increased from 32,558 in 2016 to almost 50,000 in 2017.

Discussion Questions

7-6. Compare and contrast the various segments of Chinese luxury consumers and customers profiled in the case.

7-7. How have luxury goods brands responded to President Xi Jinping's crackdown on corruption?

7-8. Why do so many Chinese parents want their children to study at foreign universities?

7-9. Assess the prospects for success for the Lincoln Motor Company's entry in the China market.

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CASE 7-2
The "Bubbling" Tea Market

Tea has been in the limelight recently thanks to increasing global demand, especially in emerging economies like China and India. China, India, Kenya, and Sri Lanka are some of the largest producers of tea in the world. An popular beverage among all socio-economic classes, tea is also popular in other Asia-Pacific countries like Thailand, Japan, Singapore, Hong Kong, and Australia. In most of these markets, offering tea to welcome guests is part of cultural hospitality.

Tea is regarded as the second most-consumed liquid after water. The global increase in tea consumption can be attributed to the health and wellbeing benefits commonly associated with the beverage and its popularity as a lifestyle product. Other factors include growing tea-consuming populations, an increase in disposable income, lifestyle changes, the growing size of the food and beverage industry, a new variety of flavors, innovations in packaging, and industrialization. Tea has also become a specialty beverage due to a global culture of tea cafés and tea houses, which has also encouraged restaurants to add more tea options to their menus. This has propelled tea into the luxury segment, with companies like Singapore-based TWG Tea converting the high-end teahouse concept into a $120 million business and expanding their business operations to Europe.

According to statista.com, the global tea market is expected to record significant growth. In 2017, the estimated worth of the global tea market was $49.46 billion, and it is expected to reach $73.13 billion by 2024, growing at a compounded annual growth rate (CAGR) of 4.5 percent between 2018 and 2024.

In terms of revenue, the Asia-Pacific region is expected to lead the global tea market. However, a rising preference for tea has been exhibited in North America as well, where consumer preferences are shifting from carbonated drinks to healthier options. The Middle East and Africa region is forecasted to show significant growth between 2017 and 2023. The European tea market is also expected to exhibit impressive growth, with demand primarily driven by the premium tea segment and a variety of flavors catering to the preferences of those with more disposable income.

Mint tea is in high demand in North Africa, while black tea is more popular in the Middle East region. China is the largest tea producer (worth approximately $11.33 billion) and has an annual consumption of about 0.57 kg per person. The largest number of tea consumers are in Turkey, Ireland, the United Kingdom, Russia, and Morocco: the Turks consume an average of 3.16 kg per person per year; the Irish, 2.19 kg; and the British, 1.94 kg.

The global tea market is competitive, and a number of large companies operate in the industry. Big players in the market include Tata Global Beverages, Kusmi Tea, Davids Tea, and Unilever, but the many small- and medium-sized suppliers constitute a large portion of the market. The tea market can be segmented in many ways: packaging, users, distribution, and type. There are several different kinds of tea packaging, including loose tea, paper bags, aluminum tins, tea bags, and plastic boxes. Of these, the tea bag segment was the fastest growing in 2017 and enjoyed a considerable market share. The typical channels through which tea is sold include hypermarkets, supermarkets, specialty stores, convenience stores, online channels, and other channels. For tea products, traditional retail channels—supermarkets and hypermarkets—are the most popular. Based on types of users, the tea market can be divided into household and commercial segments. The commercial segment is anticipated to grow rapidly owing to increasing industrialization, a rising number of hotels and restaurants, and increasing penetration of specialty tea cafés. Geographically, the tea market is analyzed across North America, Europe, Asia-Pacific, and LAMEA (the Latin America, Middle East, and Africa region).

Exhibit 7-14 The tea industry continues to grow in developed as well as developing markets, expanding into new segments like bubble tea.
Source: mama_mia/Shutterstock.

Based on the type of tea, the market can broadly be classified into black, green, oolong, and herbal (or fruit). Of the total tea production in the world, the majority produced is black tea, at 60 percent, followed by green, at 30 percent. In terms of revenue, the black tea segment accounted for the largest market share in 2017, mainly because of its high production and continuous developments within the category. However, the green tea segment is anticipated to grow at the highest rate between 2018 and 2023 owing to its increasing adoption across the world. The increasing popularity of green tea is based on its supposed health benefits, such as a boosted immune system and weight loss. Asia-Pacific shows the highest growth rate for green tea, followed by North America.

In the sub-segment of flavored tea, bubble tea, also known as pearl tea, boba tea, and tapioca tea, has become very popular around the world over the last two decades. Created in the 1980s by Liu Han-Chieh Hien at her Chun Shui Tang teahouse in Taichung, Taiwan, bubble tea is a fun and interesting drink that uses some traditional and some very non-traditional tea ingredients, including its signature chewy tapioca balls. The main drivers of the bubble tea segment are its cost-effective pricing and alleged health benefits, though critics are quick to note that it contains preservatives, food coloring, and a high amount of sugar. Typically, it uses black or oolong tea, milk, fruit flavors, a sweetener, and a chewy Taiwanese cuisine ingredient called QQ, which become the tapioca balls in the tea. The tea is freshly made with milk and sugar and then shaken with ice in a cocktail shaker, creating the bubbly froth that gives the tea its name. In 2016, the global bubble tea market was estimated to be $1.957 billion and was projected to reach $3.214 billion by 2023, with a CAGR of 7.4 percent between 2017 and 2023.

To keep up with this growth and to target a wider customer base, the bubble tea industry spends more on developing new flavors and creating more varieties. The aim is to enhance and differentiate the bubble tea–drinking experience and appeal to different tastes. Countries like China and India show a lot of potential for growth of the bubble tea markets. Looking at the huge opportunity in India, Malaysian bubble tea company Tealive announced its collaboration with one of India's leading franchise development companies, World Iconic Brands Hospitality Pvt. Ltd. (WIB), in 2018. WIB was given franchisee rights to open 140 stores in the New Delhi, Mumbai, and Bengaluru between 2018 and 2023. Tealive believes that India, which is primarily a tea-loving nation, is ready for more creative and modern tea-drinking experiences. Along with the international brands, local Indian brands are also entering the bubble tea segment.

An example of the successful international expansion of bubble tea comes from the Taiwanese bubble tea brand Coco Fresh Tea & Juice, which is now one of the leading bubble tea brands in the world. Coco was founded by Tommy Hung in 1997 in Taipei, Taiwan, and has since rapidly entered international markets through the franchising model. Today, it has more than 2,500 store locations in China, Hong Kong, the United States, Thailand, Indonesia, Philippines, South Africa, South Korea, and Canada. Although bubble tea is their best-selling item, they also sell fresh tea, milk tea, fruit tea, yogurt drinks, coffee, and other beverages. To ensure more consistency in its brand image, CoCo supports its franchisees around the world through professional training programs, innovative products, evaluation systems, and its experienced management team. CoCo believes that the brand must continuously innovate and update itself to maintain its success and build a sustainable, profitable business.

The growth in the overall tea market will continue to be fueled by changing demographics and lifestyles around the world. In developed markets, where increasing sales volume is more difficult, premiumization will contribute to value growth in the industry. In developing markets, a mix of factors like population growth, income levels, affordability, and lifestyle changes will continue to drive growth. As the middle class grows and greater urbanization takes place in emerging markets, adoption of different types of tea will continue, boosting consumption in the overall tea market. The popularity of tea houses and cafes, new formats and flavors of tea, convenience, availability, and versatility have changed the tea-drinking experience. Making tea more "special" and a more premium product creates room for more brands with different propositions to be created. As more and more differentiation takes place within the tea market segment, targeting, positioning, and the marketing mix will become more important.

Discussion Questions

7-10. Consider the different tea markets around the world. What are the main growth drivers of the global tea industry?

7-11. Discuss the segmentation of the global tea industry. With more tea products and varieties being introduced, do you think the sales growth of the industry will be sustainable?

7-12. The coffee industry has big brands like Starbucks, Tim Hortons, Nescafé, and Second Cup. How important is branding and positioning for the tea industry?

7-13. Do you think the bubble tea segment will continue to grow? What can international brands like Coco and Tealive do to strength their global positions?

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8 Importing, Exporting, and Sourcing

LEARNING OBJECTIVES

8-1 Compare and contrast export selling and export marketing.

8-2 Identify the stages a company goes through, and the problems it is likely to encounter, as it gains experience as an exporter.

8-3 Describe the various national policies that pertain to exports and imports.

8-4 Explain the structure of the Harmonized Tariff System.

8-5 Describe the various organizations that participate in the export process.

8-6 Identify home-country export organization considerations.

8-7 Identify market-country export organization considerations.

8-8 Discuss the various payment methods that are typically used in trade financing.

8-9 Identify the factors that global marketers consider when making sourcing decisions.

CASE 8-1

East-Asian Countries: Export-Led Growth for Economic Success

Few countries have witnessed economic growth as sustained and incredible as the East-Asian countries have over the last 30 years. If the 21st century will be defined as the Asian Century, then the key to this achievement can be traced back to Japan's recipe for economic success. Soon after 1860, when the country was forced to open its borders, Japan's traditional cotton textile industry was wiped out by European goods. By 1914, however, the country was selling half of its automated cotton-spinner-produced yarn abroad, accounting for about a quarter of the global cotton yarn exports. This phenomenon represents the two competing theories of economic development in international trade: import-substitution industrialization (ISI) and export-led growth. ISI is a model of trade and economic growth where a country reduces its share of imported goods by locally producing as much as it can. In a model of export-led growth, a country specializes completely or substantially in export production. These products are usually goods in which the country enjoys comparative advantage.

Which one of these models is more suitable for assuring sustainable and balanced economic growth? This is an age-old debate. There is some factual evidence that low- and middle-income free trade countries have higher economic growth on average. This is why many governments previously advocating ISI began liberalizing trade by the mid-1980s.

Following Japan's astounding growth, the Asian Tigers adopted its trade models. China opened four special economic zones (SEZs) in 1979, and the coastal cities of Shenzhen and Zhuhai became