

Global Marketing

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Segmentation, Targeting, and Positioning Chapter 7

Introduction

- How to identify like groups of potential customers?
- How to chose the groups to target?
- How to segment those groups?
- How to position the brand in the mind of the customer?

Market Segmentation

- Represents an effort to identify and categorize groups of customers and countries according to common characteristics

Targeting

- The process of evaluating segments and focusing marketing efforts on a country, region, or group of people that has significant potential to respond
- Focus on the segments that can be reached most effectively, efficiently, and profitably

Positioning

- Positioning is required to differentiate the product or brand in the minds of the target market.

Global Market Segmentation

- 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.

Contrasting Views of Global Segmentation

- **Conventional Wisdom**
 - Assumes heterogeneity between countries
 - Assumes homogeneity within a country
 - Focuses on macro level of cultural differences
 - Relies on clustering of national markets
 - Less emphasis on within-country segments
- **Unconventional Wisdom**
 - Assumes emergence of segments that transcend national boundaries
 - Recognizes existence of within-country differences
 - Emphasizes micro-level differences
 - Segments micro markets within and between countries

Global Market Segmentation

- Demographics
- Psychographics
- Behavioral characteristics
- Benefits sought

Demographic Segmentation

- Income
- Population
- Age distribution
- Gender
- Education
- Occupation

What are the trends?

Demographic Facts and Trends

- In India the number of people under the age of 14 is greater than the entire US population
- In the EU, the number of consumers aged 16 and under is rapidly approaching the number of consumers aged 60-plus
- Asia is home to 500 million consumers aged 16 and under
- Half of Japan's population will be age 50 or older by 2025

Demographic Segmentation

- A widening age gap exists between the older populations in the West and the large working-age populations in developing countries
- In the European Union, the number of consumers aged 16 and under is rapidly approaching the number of consumers aged 60-plus
- Asia is home to 500 million consumers aged 16 and under
- Half of Japan's population will be age 50 or older by 2025

Segmenting by Income and Population

- Income is a valuable segmentation variable
 - 2/3s of world's GNP is generated in the Triad but only 12% of the world's population is in the Triad
- Do not read into the numbers
 - Some services are free in developing nations so there is more purchasing power
- For products with low enough price, population is a more important variable

Per Capita Income

TABLE 7-1 Per Capita Income, 2009

	2009 GDP Per Capita	2009 Income Adjusted for Purchasing Power
1. Norway	\$84,640	\$54,880
2. Luxembourg	na	\$59,550
3. Switzerland	\$65,430	\$46,990
4. Denmark	\$59,060	\$37,800
5. Sweden	\$48,840	\$38,590
6. Netherlands	\$48,460	\$39,780
6. United States	\$46,360	\$45,640
7. Ireland	\$44,280	\$33,510
8. France	\$42,620	\$33,930
9. Germany	\$42,450	\$36,780
10. United Kingdom	\$41,370	\$37,230

Source: 2009 World Development Indicators. Reprinted by permission of Warren Keegan Associates, Inc.

10 Most Populous Countries

TABLE 7-3 The 10 Most Populous Countries, 2009

Global Income and Population	2009 Population (millions)	Percent of World Population	2009 GDP (billions)	2009 Per Capita GNI	Percent of World GNI
WORLD TOTAL	6,775.23	100.00%	\$58,141.48	\$ 8,728	100.0%
1. China	1,331.46	19.6%	4,985.46	3,650	8.5%
2. India	1,155.34	17.0%	1,071.03	1,180	1.8%
3. United States	307.00	4.5%	14,119.00	46,360	24.3%
4. Indonesia	229.96	3.3%	540.27	2,050	0.92%
5. Brazil	193.73	2.86%	1,573.41	8,040	2.7%
6. Pakistan	169.71	2.50%	161.98	1,000	0.27%
7. Bangladesh	162.22	2.39%	89.34	580	0.15%
8. Nigeria	154.73	2.23%	173.00	1,190	0.29%
9. Russian Federation	141.85	2.09%	1,231.89	9,340	2.1%
10. Japan	127.56	1.88%	5,068.99	38,080	8.7%

Source: 2009 World Development Indicators. Reprinted by permission of Warren Keegan Associates, Inc.

Age Segmentation

- Global Teens-between the ages of 12 and 19
 - A group of teenagers randomly chosen from different parts of the world will share many of the same tastes
- Global Elite—affluent consumers who are well traveled and have the money to spend on prestigious products with an image of exclusivity

Gender Segmentation

- In focusing on the needs and wants of one gender, do not miss opportunities to serve the other
- Companies may offer product lines for both genders
 - Nike, Levi Strauss

Psychographic Segmentation

- Grouping people according to attitudes, values, and lifestyles
 - SRI International and VALS 2
- Porsche example
 - Top Guns (27%): Ambition, power, control
 - Elitists (24%): Old money, car is just a car
 - Proud Patrons (23%): Car is reward for hard work
 - Bon Vivants (17%): Car is for excitement, adventure
 - Fantasists (9%): Car is form of escape

Psychographic Segmentation

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

Psychographic Segmentation

- The Euroconsumer:
 - **Comfortable Belongers**
 - 25% to 50% of a country's population
 - conservative
 - most comfortable with the familiar
 - content with the comfort of home, family, friends, and community
 - **Disaffected Survivors**
 - lack power and affluence
 - harbor little hope for upward mobility
 - tend to be either resentful or resigned
 - concentrated in high-crime urban inner city
 - attitudes tend to affect the rest of society

Psychographic Segmentation: Sony's U.S. Consumer Segments

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)

Behavior Segmentation

- Focus on whether people purchase a product or not, how much, and how often they use it
- User status
- Law of disproportionality/Pareto's Law—80% of a company's revenues are accounted for by 20% of the customers

Benefit Segmentation

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

Ethnic Segmentation

- The population of many countries includes ethnic groups of significant size
- Three main groups in the U.S. include African-Americans, Asian-Americans, and Hispanic Americans
- **Hispanic Americans**
 - 50 million Hispanic Americans (14% of total pop.) with \$978 billion annual buying power
 - “\$1 trillion Latina” 24 million Hispanic women: 42% single, 35% HOH, 54% working

Assessing Market Potential

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

Assessing Market Potential

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

Current Segment Size and Growth

- Is the market segment currently large enough to present a company with the opportunity to make a profit?
- If the answer is ‘no,’ does it have significant growth potential to make it attractive in terms of a company’s long-term strategy?

Potential Competition

- Is there currently strong competition in the market segment?
- Is the competition vulnerable in terms of price or quality?

Feasibility and Compatibility

- Will adaptation be required? If so, is this economically justifiable in terms of expected sales?
- Will import restrictions, high tariffs, or a strong home country currency drive up the price of the product in the target market currency and effectively dampen demand?

Feasibility and Compatibility

- Is it advisable to source locally? Would it make sense to source products in the country for export elsewhere in the region?
- Is targeting a particular segment compatible with the company's goals, brand image, or established sources of competitive advantage?

Framework for Selecting Target Markets

- Demographic information is a starting point but not the decision factor
- Product-Market must be considered
 - Market defined by product category
- Marketing model drivers must be considered
 - Factors required for a business to take root and grow
- Are there any enabling conditions present?
 - Conditions whose presence or absence will determine success of the marketing model

9 Questions for Creating a Product-Market Profile

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

Target Market Strategy Options

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

Target Market Strategy Options

- Concentrated global marketing
 - Niche marketing
 - Single segment of global market
 - Look for global depth rather than national breadth
 - Ex.: Chanel, Estee Lauder
- Differentiated global marketing
 - Multi-segment targeting
 - Two or more distinct markets
 - Wider market coverage
 - Ex.: P&G markets Old Spice and Hugo Boss for Men

Positioning Strategies

- Global consumer culture positioning
 - Identifies the brand as a symbol of a particular global culture or segment
 - High-touch and high-tech products
- Foreign consumer culture positioning
 - Associates the brand's users, use occasions, or product origins with a foreign country or culture

Positioning Strategies

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

Looking Ahead to Chapter 8

Importing, Exporting, and Sourcing