



PART THREE  
APPROACHING GLOBAL MARKETS

# 6

# Global Information Systems and Market Research

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## LEARNING OBJECTIVES

- 6-1** Discuss the roles of information technology, management information systems, and big data in a global company's decision-making processes.
- 6-2** Describe the various sources of market information, including direct perception.
- 6-3** Identify the individual steps in the traditional market research process,

and explain some of the ways global marketers adapt them.

- 6-4** Compare the way a multinational firm organizes the marketing research effort with the way a global or transnational firm approaches the organizing issue.
  - 6-5** Explain how information's role as a strategic asset affects the structure of global corporations.
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### CASE 6-1

### Nestlé Middle East's Investment in Market Research

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Nestlé Middle East has enjoyed a reputation for innovation and creativity that goes back years, with the company motto of "Good Food, Good Life" serving as a promise that Nestlé is committed to delivering. The Switzerland-based food-and-beverage company has a wide range of products including bottled water, ice cream, chocolate, dairy products, and baby food, and it is recognized for its high quality, superior taste, and nutritional value. In the Middle East alone, Nestlé has over 60 products, and despite formidable competitors like Procter and Gamble (P&G), Coca-Cola, and Unilever vying for the same space, Nestlé manages to retain a good market share by focusing on nutritional value and a healthy lifestyle.



**Exhibit 6-1** Nestlé is a global brand employing over 308,000 people in 447 factories and with operations in nearly every country on the map. It founded Nestlé Middle East in 1997 and has been operating successfully in the region for the past 80 years. It has invested more than \$400 million in the Middle East and now owns and operates 18 factories and 16 offices.

Source: Fitria Ramli/Shutterstock.

Nestlé SA has come a long way from its humble beginnings in the late 19th century in Vevey, Switzerland. It operates successfully in more than 80 countries with the help of intensified market research and has developed a diverse portfolio of products. Nestlé's products include Maggi, KitKat, Cerelac, and Nescafé. The company today boasts of more than 5,500 cups of Nescafé instant coffee being consumed every second, with different varieties catering to different tastes and preferences around the globe.

Nestlé operates successfully in more than 80 countries with the help of intensified market research and has developed a diverse portfolio of products. Nestlé acts as a regional hub in the Middle East, catering to the needs of 13 countries and a total population of 220 million. Nestlé Middle East was founded in 1997 in Jebel Ali Free Zone, Dubai, and at present, it owns and operates 18 factories and 16 offices in the region, employing more than 13,000 people across all operations. Over the last five years, Nestlé Middle East has invested more than \$400 million in research and development and in the establishment of factories in high growth markets. To learn more about the way Nestlé invests

and conducts research, turn to the continuation of Case 6-1 at the end of this chapter.

When researching any market, marketers must know where to go in order to obtain information, what subject areas to investigate and what data to seek, the different ways to acquire it, and the various types of analyses that would contribute to a better understanding of consumers with important insights into their framework. It is the marketer's good luck that a veritable cornucopia of market information is available on the Internet. A few key-strokes can yield literally hundreds of articles, research findings, and websites that offer a wealth of information about a particular country's market. Even so, marketers must do their homework if they are to make the most of modern information technology. First, they need to understand the importance of information technology and marketing information systems as strategic assets. Second, they should have a general understanding of the formal market research process. Finally, they should know how to manage the marketing information collection system and the marketing research effort. These topics are the focus of this chapter.

- **6-1** Discuss the roles of information technology, management information systems, and big data in a global company's decision-making processes.

**6-1**

## Information Technology, Management Information Systems, and Big Data for Global Marketing

**Information technology (IT)** refers to an organization's processes for creating, storing, exchanging, using, and managing information. A **management information system (MIS)** provides managers and other decision makers with a continuous flow of information about company operations. MIS is a broad term that can be used to refer to a system of hardware and software that a company uses to manage information. An MIS should provide a means for gathering, analyzing, classifying, storing, retrieving, and reporting relevant data. The term **big data** refers to extremely large data sets that can be subjected to computational analysis to reveal patterns and trends (see Exhibit 6-2).

Big data and big data analytics have long been the province of astronomers, meteorologists, and other members of the scientific community. Only recently have big data collection and analysis been applied to business situations. In particular, the exploding popularity of Facebook and other social media platforms has resulted in a wealth of big data. Of course, much of that data may be redundant or irrelevant, for a simple reason: The cost of data collection has dropped so dramatically that a company can amass scads of data irrespective of a particular question, problem, or purpose that its marketers might have.

A case in point is video-streaming pioneer Netflix, which has collected more than 10 billion movie ratings from subscribers. Netflix also gathers demographic data about all its subscribers, including age, gender, and place of residence. Netflix knows, for example, that some 20-something males have viewing habits that many people would associate with 70-year-old females, and vice versa. Netflix managers must determine how to use the ratings in conjunction with demographic information and viewership data so that new subscribers enjoy a better content-discovery experience.

As the Netflix example illustrates, gathering data is not an end in itself, but rather a means to an end. Confronted with mountains of data that include user-generated content, often from a variety of sources, marketers must be able to determine what matters and what doesn't. Metaphorically speaking, this calls for separating the wheat from the chaff, or, as a data scientist might put it, separating the signal from the noise. A company's trove of data, which includes a great deal of "noise," must be converted into information ("signal") by eliminating statistical redundancy and

**Exhibit 6-2** Coca-Cola's Freestyle vending machines utilize "micro-dosing technology" that allows for 170 possible drink combinations. User data generated by the units prompted Coca-Cola to develop a new flavor: Cherry Sprite.  
Source: Roberto Machado Noa/LightRocket via Getty Images.



corruption. Finally, by applying data analytics to the problem that needs to be solved or the question that needs to be answered, marketers can arrive at insights that are interpretable and relevant. Those insights can be used to improve decision making (see Figure 6-1).

One component of a firm's MIS is a business intelligence (BI) network that helps managers make decisions. The major objective of the BI network is

to enable interactive access to data, enable manipulation of these data, and to provide managers and analysts with the ability to conduct appropriate analysis. By analyzing historical and current data, situations, and performances, decision makers get valuable insights upon which they can base more informed and better decisions.<sup>2</sup>

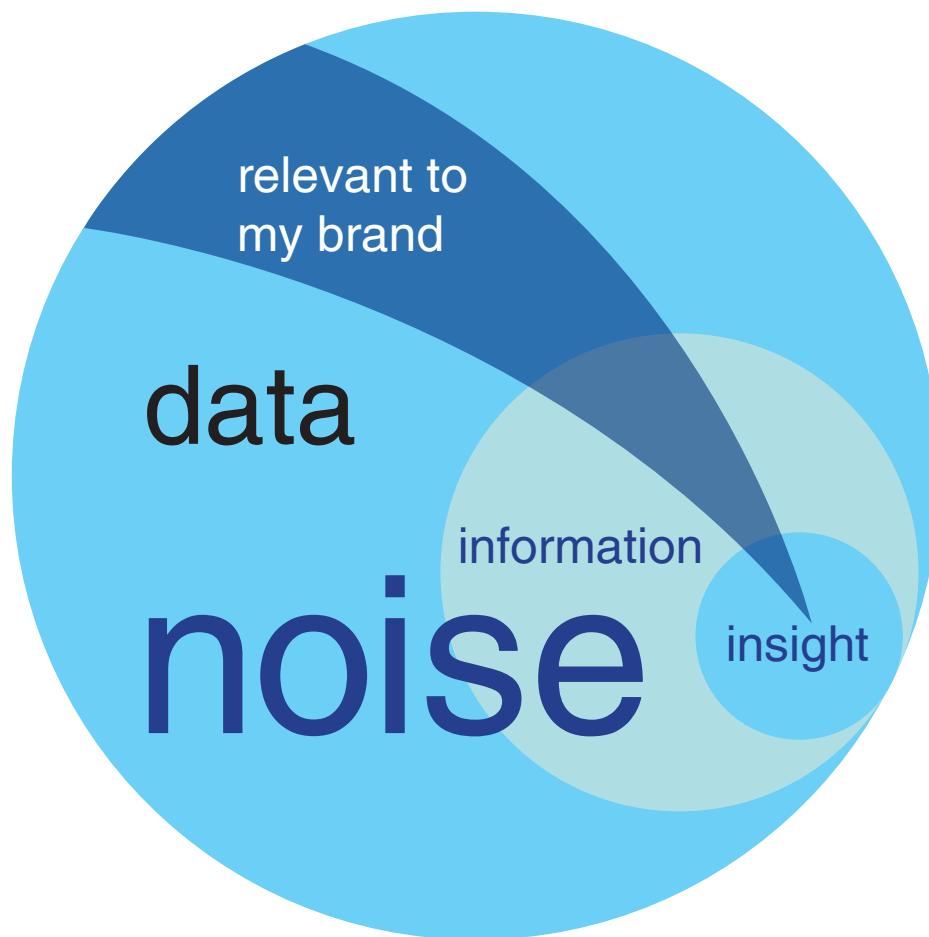
Global competition, together with the advent of the big data era, intensifies the need for effective MIS and business intelligence that are accessible throughout the company. As Jean-Pierre Corniou, former chief information officer (CIO) at Renault, noted:

My vision is to design, build, sell, and maintain cars. Everything I do is directly linked to this, to the urgent need to increase turnover, margins, and brand image. Every single investment and expense in the IT field has to be driven by this vision of the automotive business.<sup>3</sup>

Many companies with global operations have made significant investments in their IT infrastructure in recent years. Such investments are typically directed at upgrading a company's legacy computer hardware and software. Amazon Web Services (AWS), Microsoft, SAP, Oracle, and IBM are some of the beneficiaries of this trend. All of these companies are global enterprises,

**"We are positioning ourselves as a data company. We have half a billion customers with us with shopping intentions and a method to pay. We know who they are, what they want, what they hate."<sup>1</sup>**

Daniel Zhang, CEO, Alibaba



**FIGURE 6-1** Relationship Between Data, Information, and Insight.

and many of their customers are global as well. Vendors of complex software systems can find it difficult to achieve 100 percent customer satisfaction. Thomas Siebel, founder of Siebel Systems, explains how his company met this challenge:

Siebel Systems is a global company, not a multinational company. I believe the notion of the multinational company—where a division is free to follow its own set of business rules—is obsolete, though there are still plenty around. Our customers—global companies like IBM, Zurich Financial Services, and Citicorp—expect the same high level of service and quality, and the same licensing policies, no matter where we do business with them around the world. Our human resources and legal departments help us create policies that respect local cultures and requirements worldwide, while at the same time maintaining the highest standards. We have one brand, one image, one set of corporate colors, one set of messages, across every place on the planet.<sup>4</sup>

Unlike the public Internet, an **intranet** is a private network that allows authorized company personnel or outsiders to share information electronically in a secure fashion without generating mountains of paper. Intranets, in conjunction with a state-of-the-art IT system, can serve as a 24-hour nerve center. Through their use, Amazon, FedEx, Google, Netflix, Spotify, Walmart, and other companies can operate as *real-time enterprises* (RTEs). The RTE model is growing in popularity as more executives and managers realize leveraging big data via advanced analytics can be a source of competitive advantage.

An **electronic data interchange (EDI)** system allows a company's business units to submit orders, issue invoices, and conduct business electronically with other company units as well as with outside companies. One of the key features of EDI is that its transaction formats are universal, which enables computer systems at different companies to "speak the same language." Walmart is legendary for its sophisticated EDI system. For years, vendors had received orders from the giant retailer on personal computers using dial-up modems connected to third-party transmission networks. In 2002, Walmart informed vendors that it was switching to an Internet-based EDI system. The switch has saved both time and money; the modem-based system was susceptible to transmission interruptions, and the cost was between \$0.10 and \$0.20 per thousand characters transmitted. Any vendor that now wishes to do business with Walmart must purchase and install the necessary computer software.<sup>5</sup>

Poor operating results can often be traced to insufficient data and information about events both inside and outside a company. For example, when a new management team took over the U.S. unit of Adidas AG, the German athletic shoemaker, the team discovered that data were not available on normal inventory turnover rates. A new reporting system revealed that archrivals Reebok and Nike turned their inventories five times a year, compared with only twice a year at Adidas. This information was used to tighten the company's marketing focus on the best-selling Adidas products. In Japan, 7-Eleven's computerized distribution system provides it with a competitive advantage in the convenience store industry. Every 7-Eleven store is linked with every other store and with distribution centers. As one retail analyst noted:

With the system they have established, whatever time you go, the shelves are never empty. If people come in at 4 A.M. and the stores don't have what they want, that will have a big impact on what people think of the store.<sup>6</sup>

Globalization puts increased pressure on companies to achieve as many economies as possible. Toward this end, IT provides a number of helpful tools. As noted previously, EDI links with vendors enable retailers to improve inventory management and restock hot-selling products in a timely, cost-effective manner. In addition to EDI, retailers are increasingly using a technique known as **efficient consumer response (ECR)** in an effort to work more closely with vendors on stock replenishment. ECR can be defined as a joint initiative of members of a supply chain working together to improve and optimize aspects of the supply chain to benefit customers. ECR systems utilize **electronic point of sale (EPOS)** data gathered by checkout scanners to help retailers identify product sales patterns and determine how consumer preferences vary with geography. Although currently more popular in the United States, the ECR system is gaining traction in

Europe. Companies such as Carrefour, Metro, Coca-Cola, and Henkel have all embraced ECR. Supply-chain innovations such as radio frequency identification tags (RFID) are likely to provide increased momentum for the use of ECR.

EPOS, ECR, and other IT tools are also helping businesses improve their ability to target consumers and increase loyalty. The trend among retailers is to develop customer-focused strategies that will personalize and differentiate the business. In addition to point-of-sale (POS) scanner data, loyalty programs such as Tesco's Clubcard, which use electronic smartcards, provide retailers with important information about shopping habits. **Customer relationship management (CRM)** is an important business tool that helps companies leverage the data they collect through such systems.

Although industry experts offer varying descriptions and definitions of CRM, the prevailing view is that CRM is a philosophy that values two-way communication between the company and the customer. Every point of contact ("touchpoint" in CRM-speak) that a company has with a consumer or business customer—via a Web site, a warranty card, a sweepstakes entry, a payment on a credit card account, or an inquiry to a call center—offers an opportunity to collect data. Likewise, every time a Spotify user clicks "play," a data point is generated. CRM tools allow companies to determine which customers are most valuable and to react in a timely manner with customized product and service offerings that closely match customer needs. If implemented correctly, CRM can make employees more productive and enhance corporate profitability; it also benefits customers by providing value-added products and services.

A company's use of CRM can manifest itself in various ways. In the hotel industry, for example, CRM can take the form of front-desk staff who monitor, respond to, and anticipate the needs of repeat customers. A visitor to Amazon.com who buys the latest Taylor Swift CD encounters CRM when he or she gets the message "Frequently Bought with the Item You Added: Ed Sheeran's *X* and Sam Smith's *In the Lonely Hour*." CRM can also be based on the click path that a Web site visitor follows. In this case, however, Internet users may be unaware that a company is tracking their behaviors and interests.

One challenge of using CRM is integrating data into a complete picture of the customer and his or her relationship to the company and its products or services—a perspective sometimes referred to as a "360-degree view of the customer." This challenge is compounded for global marketers. Their subsidiaries in different parts of the world may use different customer data formats, and commercial CRM products may not support all the target languages. In view of such issues, industry experts recommend implementing global CRM programs in phases.

The first phase could focus on a specific task such as *sales force automation* (SFA); this term refers to a software system that automates routine aspects of sales and marketing functions such as lead assignment, contact follow-up, and opportunity reporting. While Salesforce.com is a key player in this space, Microsoft Dynamics CRM and Oracle Siebel CRM on Demand are among the other vendors offering SFA. An SFA system can also analyze the cost of sales and the effectiveness of marketing campaigns. Some SFA software can assist with quote preparation and management of other aspects of a sales campaign, such as mass mailings and conference or convention attendee follow-up.

For example, an important first step in implementing a CRM system could be to utilize SFA software from a company such as Oracle. The objective at this stage of the CRM effort would be to provide sales representatives in all country locations with access via an Internet portal to sales activities throughout the organization. To simplify the implementation, the company could require that all sales activities be recorded in English. Subsequently, marketing, customer service, and other functions could be added to the system.<sup>7</sup>

Privacy issues related to data collection and use vary widely from country to country. In the EU, for example, a Directive on Data Collection has been in effect since 1998. Companies that use CRM to collect data about individual consumers must satisfy the regulations in each of the EU's 28 member countries. There are also restrictions about sharing such information across national borders. In 2000, the U.S. Department of Commerce and the EU concluded a Safe Harbor agreement that established principles for privacy protection for companies that wish to transfer data to the United States from Europe.

However, in 2013, following revelations by Edward Snowden about U.S. intelligence activities, an Austrian activist named Max Schrems brought suit in the European Court of Justice (ECJ)

## THE CULTURAL CONTEXT

### Tesco's Clubcard

As the number 1 supermarket chain in the United Kingdom, Tesco is "the one to beat." Tesco's management team faces the constant challenge of staying ahead of fast-growing competitors. These include local chains such as Sainsbury as well as Asda, which is owned by retail giant Walmart.

One of the keys to Tesco's success is a loyalty program tied to its Clubcard. Signing up for the program is easy: Shoppers fill out applications (either at the store or online) that include questions regarding family demographics and dietary preferences. The 15 million households with Clubcards represent 80 percent of Tesco's customer base. Shoppers present their cards at checkout and are awarded two points for every £1 spent (see Exhibit 6-3).

For every 100 points accumulated, shoppers receive a £1 voucher that can be redeemed for future grocery purchases or used with airline frequent-flyer programs. Tesco also partners with other retailers such as Pizza Express, where vouchers are worth four times their face value. Needless to say, the Clubcard is a hit with university students! Tesco also offers different incentives to different segments; for example, high spenders are offered vouchers that are worth triple points when redeemed on certain categories of merchandise.

The Clubcard program actually does more than allow Tesco to reward its customers: It provides Tesco's IT team with a clear picture of what is selling, what isn't selling, and where the gaps are in its product assortment. The Clubcard program is managed by Dunnhumby, an independent consultancy located near London. Each product in the database is scored on price and dozens of other dimensions. As an example of the value of the Clubcard program, Dunnhumby cofounder Clive Humby points to wine sales:

In the wine department, we could see that people were trading up to stuff Tesco didn't stock. At Christmas, people wanted to buy "posh" wine; those who usually bought cheap wine went from spending £2.99 a bottle to £5.99 a bottle—

**Exhibit 6-3** Tesco's Clubcard is a loyalty program that the U.K.-based grocery store chain uses to reward customers; shoppers receive points based on purchase amounts. Points are converted to vouchers that can be redeemed for merchandise. Tesco also uses Clubcard to collect data on shopping preferences and patterns. Clubcard has been rolled out in many of Tesco's international locations, including Poland.

Source: Leon Neal/AFP/Getty Images.

but where were the people who should have been trading up from £5.99 to £7.99? They were at [specialty wine store] Oddbins because Tesco didn't have a full-enough range.

Dunnhumby groups Tesco customers into various clusters based on the similarity of the contents of their shopping carts. For example, analysts have dubbed one segment "Finer Foods"; it comprises time-deprived, affluent customers who choose upscale products. When the data indicated that these shoppers weren't buying fine wine or cheese at Tesco, the company upgraded its offerings and introduced a house brand bearing the "Tesco's Finest" label. By contrast, traditional shoppers are "Makers" who buy ingredients to prepare home-cooked meals. They gravitate toward Tesco's lower-priced "Tesco Value" products such as beer, baked beans, canned tomatoes, and noodles.

By combining household information with weekly purchase behavior data, Tesco is able to tailor promotions to specific customer segments. Did a shopper buy diapers for the first time? Tesco sends that household coupons for baby wipes and beer. Why beer? New dads who are staying home with the baby can't get out to the local pub as often as they once did, so they stock up on beer to consume at home.

Clubcard also gives Tesco a tactical advantage over Walmart's Asda stores. Walmart's value proposition is very clear: low prices. To prevent the most value-conscious shoppers from defecting, Tesco mined its database to identify Clubcard users who bought the lowest-priced grocery items. Managers identified several hundred items that the value hunters bought regularly; prices on those items were then lowered. The result: The shoppers stayed with Tesco instead of switching to Asda. Tesco currently leads Asda in share of U.K. grocery sales by a margin of two to one.

**Sources:** Elizabeth Rigby, "Fresh Horizons Uneasily Scanned," *Financial Times* (September 19, 2010), p. 8; Andrea Felsted, "Tesco Takes Clubcard Route to Buoyant Sales," *Financial Times* (January 12, 2010), p. 13; Andrea Felsted, "Tesco Experiments with Clubcard," *Financial Times* (September 8, 2010), p. 10; Cecilia Rohwedder, "Stores of Knowledge: No. 1 Retailer in Britain Uses 'Clubcard' to Thwart Wal-Mart," *The Wall Street Journal* (June 6, 2006), pp. A1, A16.



arguing that Facebook lacked adequate safeguards to protect user information from U.S. intelligence services. The result: The collapse of the U.S.–EU Safe Harbor agreement. Regulators in the EU, increasingly frustrated by their inability to enforce data protection laws, decided to take aim at Facebook and other U.S. “Big Tech” companies that control much of the data being generated worldwide. A new law, the General Data Protection Regulation (GDPR), entered into force in 2016 and became enforceable against U.S. and other non-EU companies on May 25, 2018. The GDPR covers a variety of privacy-related issues, including protection of personal data, data subjects, and data processing.<sup>8</sup>

Databases called **data warehouses** are frequently an integral part of a company’s CRM system. Data warehouses can serve other purposes as well. For example, they can help retailers with multiple store locations fine-tune their product assortments at specific venues. Company personnel, including persons who are not computer specialists, can access data warehouses via standard Web browsers. Teradata, Oracle, IBM, and SAP are among the leading data warehouse vendors.

These examples show just some of the ways that IT and big data are affecting global marketing. However, EDI, ECR, EPOS, SFA, CRM, and other aspects of IT do not simply represent marketing issues; rather, they are organizational imperatives. The tasks of designing, organizing, and implementing systems for business intelligence and information gathering must be coordinated in a coherent manner that contributes to the organization’s overall strategic direction. Modern IT tools provide the means for a company’s marketing information system and research functions to provide relevant information in a timely, cost-efficient, and actionable manner.

Overall, then, the global organization has the following needs:

- An efficient, effective system that will scan and digest published sources and technical journals in the headquarters country as well as in all countries in which the company has operations or customers.
- Daily scanning, translating, digesting, abstracting, and electronic inputting of information into a market intelligence system. Today, thanks to advances in IT, full-text versions of many sources are available online as PDF files. Print documents can easily be scanned, digitized, and added to a company’s information system.
- Expanding information coverage in other regions of the world.

## 6-2 Sources of Market Information

Although environmental scanning is a vital source of information, research has shown that executives at the headquarters of global companies obtain as much as two-thirds of the information they need from *personal sources*. A great deal of external information comes from executives based abroad in company subsidiaries, affiliates, and branches. These executives are likely to have established communication with distributors, consumers, customers, suppliers, and government officials. A striking feature of the global corporation—and a major source of its competitive strength—is the role that executives abroad play in acquiring and disseminating information about the world environment. Headquarters-based executives generally acknowledge that company executives overseas are the people who know best what is going on in their areas.

The information issue exposes one of the key weaknesses of a domestic company: Although more attractive opportunities may be present outside existing areas of operation, they are likely to go unnoticed by inside sources in a domestic company because the scanning horizon tends to end at the home-country border. Similarly, a company with limited geographical operations may be at risk because internal sources abroad tend to scan only the information about their own countries or regions.

*Direct sensory perception* provides a vital background for the information that comes from human and documentary sources. Direct perception gets all the senses involved. It means seeing, feeling, hearing, smelling, or tasting for oneself to find out what is going on in a particular country, rather than getting secondhand information by hearing or reading about a particular issue. Some information is easily available from other sources, but sensory experience of it is needed for it to

◀ **6-2** Describe the various sources of market information, including direct perception.

**Exhibit 6-4** Judith McKenna became President and CEO of Walmart in February 2018. Despite Walmart's enormous size, McKenna focuses on "TNTs" - "tiny, noticeable things." Source: Julio Cortez/Associated Press.



sink in. Often, the background information or context one gets from observing a situation can help fill in the big picture. For example, Walmart's first stores in China stocked a number of products—extension ladders and giant bottles of soy sauce, for example—that were inappropriate for local customers. Joe Hatfield, Walmart's top executive for Asia, began roaming the streets of Shenzhen in search of ideas. His observations paid off: When Walmart's giant store in Dalian opened in April 2000, a million shoppers passed through its doors in the first week (see Exhibit 6-4). They snapped up products ranging from lunch boxes to pizza topped with corn and pineapple.<sup>9</sup> When Jim Stengel was chief marketing officer at Procter & Gamble, he moved his managers away from a preoccupation with research data to a wider view based on direct perception. As Stengel noted:

We often find consumers can't articulate it. That's why we need to have a culture where we are understanding. There can't be detachment. You can't just live away from the consumer and the brand and hope to gain your insights from data or reading or talking to academics. You have to be experiential. And some of our best ideas are coming from people getting out there and experiencing and listening.<sup>10</sup>

Direct perception can also be important when a global player dominates a company's domestic market. Such was the case with Microsoft and its Xbox video game system, which was launched in a market dominated by Sony. Cindy Spodek-Dickey, Microsoft's group manager for national consumer promotions and sponsorships, took Xbox "on the road" with various promotional partners such as the Association of Volleyball Professionals (AVP). At AVP tournaments in different cities, spectators (and potential customers) had the opportunity to visit the Xbox hospitality tent to try out the new system. At one tournament event, Spodek-Dickey explained the importance of informal market research:

What are the other sponsors doing? What's the crowd into? What brands are they wearing? How are they interacting with our property? I'll stop them as they come out of the tent and say: "What do you think? What do you like about Xbox? What do you think of your PlayStation?" It's mother-in-law research. I wouldn't want to stake a \$10 million ad campaign on it, but I think it keeps you credible and real. When you start to hear the same feedback, three, four, five times, you'd better be paying attention. . . . I believe it is part of any good marketer's job to be in touch with their audience and their product. There's no substitute for face-to-face, eye-to-eye, hand-to-hand.<sup>11</sup>

**"Case studies from the footwear industry show the importance of direct perception in identifying market opportunities. Diego Della Valle is CEO of Tod's; Mario Moretti Pologato heads Geox; and Blake Mycoskie founded TOMS. What they have in common is that all three were traveling abroad, viewing and experiencing the world, when inspiration struck."**<sup>11</sup>

Mark C. Green, Professor of Marketing, Simpson College

## 6-3 Formal Market Research

Information is a critical ingredient in formulating and implementing a successful marketing strategy. As described earlier, a marketing information system should produce a continuous flow of information. **Market research**, by contrast, is the project-specific, systematic gathering of data. The American Marketing Association defines *marketing research* as “the activity that links the consumer, customer, and public to the marketer through information.”<sup>13</sup> In **global market research**, this activity is carried out on a global scale. The challenge of global market research is to recognize and respond to the important national differences that influence the way information can be obtained. These include cultural, linguistic, economic, political, religious, historical, and market differences.

Michael Czinkota and Ilkka Ronkainen note that the objectives of international market research are the same as the objectives of domestic research. However, they have identified four specific environmental factors that may require international research efforts to be conducted differently than domestic research. First, researchers must be prepared for new parameters of doing business. Not only will there be different requirements, but the ways in which rules are applied may differ as well. Second, “cultural megashock” may occur as company personnel come to grips with a new set of culture-based assumptions about conducting business. Third, a company entering more than one new geographic market faces a burgeoning network of interacting factors; research may help prevent psychological overload. Fourth, company researchers may have to broaden their definition of competitors in international markets to include competitive pressures that would not be present in the domestic market.<sup>15</sup>

Market research can be conducted in two different ways. First, a company may design and implement a study with in-house staff. Alternatively, it may use an outside firm specializing in market research. In global marketing, a combination of in-house and outside research efforts is often advisable. Many outside firms have considerable international expertise; some specialize in particular industry segments. According to the American Marketing Association, global market research revenues for the top 25 research companies totaled \$22.5 billion in 2015.<sup>16</sup> The Nielsen Company is the world’s largest market research organization; it is the source of the well-known Nielsen TV ratings for the U.S. market. Nielsen Media Research International also provides media measurement services in more than 40 global markets. Other research specialists are the Kantar Group (brand awareness and media analysis), IMS Health (pharmaceutical and health care industries), and Germany’s GfK SE (custom research and consumer tracking).

The process of collecting data and converting it into useful information can be quite detailed, as shown in Figure 6-2. In the discussion that follows, we will focus on eight basic steps: information requirements, problem definition, choosing the unit of analysis, examining data availability, assessing the value of research, research design, data analysis, and interpretation and presentation.

### Step 1: Information Requirements

The late Thomas Bata was a self-described “shoe salesman” who built the Bata Shoe Organization into a global empire that is now based in Switzerland. Legend has it that the Czech-born, Swiss-educated Bata once fired a salesman who, upon returning from Africa, reported that there was no opportunity to sell shoes there because everyone walked around barefoot. According to this story, Bata hired another salesman who understood that, in fact, Africa represented a huge untapped market for shoes. This anecdote underscores the fact that direct observation must be linked to unbiased perception and insight. However, as many marketers will acknowledge, it can be difficult to alter entrenched consumer behavior patterns.

Formal research often is undertaken after a problem or opportunity has been identified. A company may need to supplement direct perception with additional information to determine whether a particular country or regional market does, in fact, offer good growth potential. What proportion of potential customers can be converted into *actual* customers? Is a competitor making inroads in one or more important markets around the world? Is research on local taste preferences required to determine whether a food product must be adapted? A truism of market research is that a problem well defined is a problem half-solved. Thus, regardless of the particular situation

► **6-3** Identify the individual steps in the traditional market research process, and explain some of the ways global marketers adapt them.

**“Traditional research concentrated on the ‘what.’ Now we are trying to establish the ‘why.’ We are not asking what consumers think about products and ideas but focusing on what makes them tick.”<sup>14</sup>**

Simon Stewart, marketing director, Britvic

that sets the research effort in motion, the first two questions a marketer should ask are “What information do I need?” and “Why do I need this information?” Table 6-1 lists various subject categories that may require research.

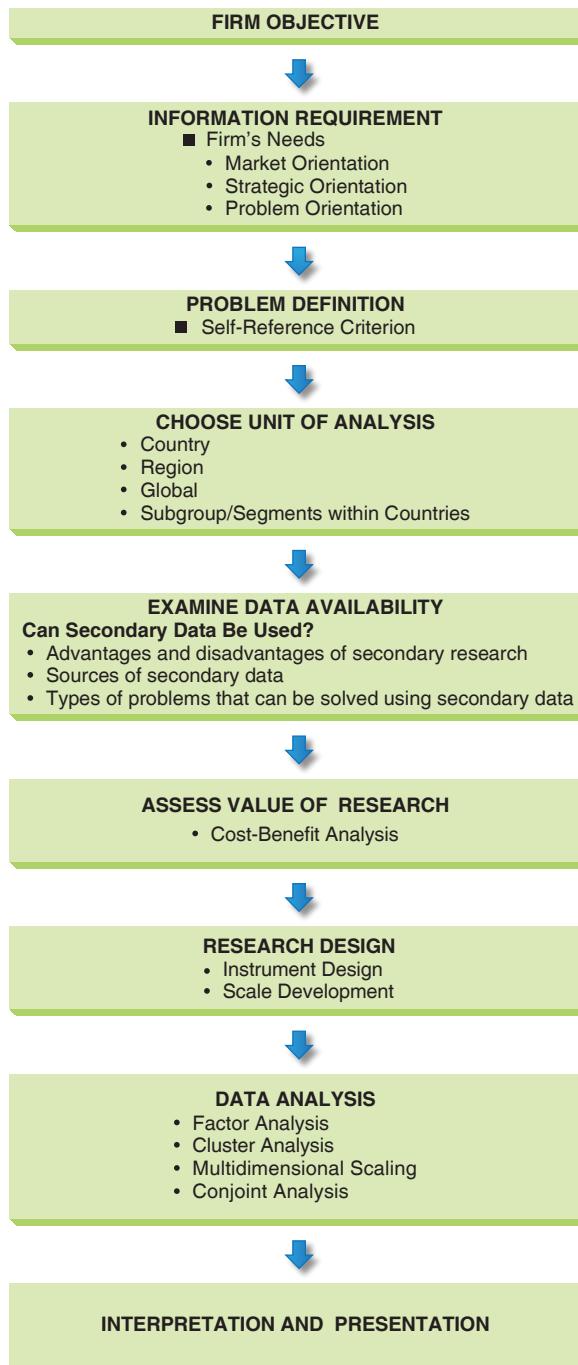
### Step 2: Problem Definition

As noted in Chapter 4, when a person’s home-country values and beliefs influence the assessment of a foreign culture or country, the self-reference criterion (SRC) is at work. The SRC tendency underscores the importance of understanding the cultural environments of global markets, as the following examples illustrate:

- When Mattel first introduced Barbie in Japan, managers assumed that Japanese girls would find the doll’s design just as appealing as American girls did. They didn’t.

**FIGURE 6-2** Market Research Process

Source: Adapted from V. Kumar, *International Marketing Research*, 1st edition, © 2000. Pearson Education, Inc., Upper Saddle River, NJ.



**TABLE 6-1** Subject Agenda Categories for a Global Marketing Information System

Category	Coverage
1. Market potential	Demand estimates, consumer behavior, review of products, channels, communication media
2. Competitor information	Corporate, business, and functional strategies; resources and intentions; capabilities
3. Foreign exchange	Balance of payments, interest rates, attractiveness of country currency, expectations of analysts
4. Prescriptive information	Laws, regulations, rulings concerning taxes, earnings, dividends in both host and home countries
5. Resource information	Availability of human, financial, physical, and information resources
6. General conditions	Overall review of sociocultural, political, and technological environments

- When the Walt Disney Company opened Disneyland Paris, park employees were expected to comply with a detailed written code regarding personal appearance. The goal was to ensure that guests received the kind of experience associated with the Disney name. The French workers, however, considered the code to be an insult to French culture, individualism, and privacy.

As these examples show, managers sometimes make decisions based on home-country marketing success that can turn out to be wrong when applied globally. Marketers might also assume that a marketing program that is successful in one country market can be applied to other country markets in the region. Consider again the case of Disney's theme park business. Although Disneyland Japan was a huge success from opening day, the \$3.2 billion Hong Kong Disneyland that opened in 2005 was less successful. This was due, in part, to the fact that visitors from mainland China had limited familiarity with traditional Disney "face characters" such as Snow White. As Jay Rasulo, president of Disney's park and resort division, noted, "People from the mainland don't show up with the embedded 'Disney software' like at other parks."<sup>17</sup>

When approaching global markets, it is best to have "eyes wide open." In other words, marketers must be aware of the impact that SRC and other cross-cultural assumptions can have. Such awareness can have several positive effects. First, it can enhance management's willingness to conduct market research in the first place. Second, an awareness of SRC can help ensure that the research effort is designed with minimal home-country or second-country bias. Third, it can enhance management's receptiveness to research findings—even if they contradict "tried-and-true" marketing experience in other markets.

### Step 3: Choosing the Unit of Analysis

The next step involves the need to identify in which part(s) of the world the company should be doing business and to find out as much as possible about the business environment in the area(s) identified. These issues are reflected in the subject agenda categories in Table 6-1. The unit of analysis may be a single country, or it may be a region such as Europe or South America. In some instances, the marketer is interested in a segment that is global. Countrywide data are not required for all market-entry decisions; in some cases, a specific city, state, or province may be the relevant unit of analysis. For example, a company that is considering entering China may focus initially on Shanghai. Located in the Jiangsu province, Shanghai is China's largest city and main seaport. Because Shanghai is a manufacturing center, has a well-developed infrastructure, and is home to a population with a relatively high per capita income, it would be the logical focus of a market research effort.

### Step 4: Examining Data Availability

The first task at this stage is to answer several questions regarding the availability of data. Which type of data should be gathered? Can **secondary data**—for example, data available in company files, the library, industry or trade journals, or online databases—be used? When does management need the information to make a decision regarding market entry? Marketers must address these issues before proceeding to the next step of the research process. Using data that are readily available saves both money and time: A formal market study can cost hundreds of thousands of dollars and take many months to complete.

A low-cost approach to market research and data collection begins with desk research. In other words, “The key to creating a cost-effective way of surveying foreign markets is to climb on the shoulders of those who have gone before.”<sup>18</sup> Suppose a marketer wants to assess the basic market potential for a particular product. To make this determination, secondary sources are a good place to start. Clipping services, company or public libraries, online databases, government census records, and trade associations are just a few of the data sources that can be tapped with minimal effort and cost. Data from these sources already exist. Such data are known as *secondary data* because they were not gathered for the specific project at hand. *Statistical Abstract of the United States* is just one of the annual publications issued by the U.S. government that contains myriad facts about international markets.

The U.S. government’s most comprehensive source of world trade data is the National Trade Data Base (NTDB), an online resource from the Department of Commerce. The Bureau of Economic Analysis ([www.bea.gov](http://www.bea.gov)) and the Census Bureau ([www.census.gov](http://www.census.gov)) are excellent online resources for foreign trade, economic indicators, and other current and historical data. Trade data for the European Union are available from Eurostat ([epp.eurostat.ec.europa.eu](http://epp.eurostat.ec.europa.eu)). Most countries compile estimates of gross national product (GNP), gross domestic product (GDP), consumption, investment, government expenditures, and price levels. Demographic data indicating the population size, distribution of population by age category, and rates of population growth are also readily available. Market information from export census documents compiled by the Department of Commerce on the basis of shippers’ export declarations is available as well. Formerly known as “ex-decs” or SEDs, these Electronic Export Information (EEI) forms must be filled out for any export valued at \$2,500 or more. Another important source of market data is the Foreign Commercial Service.

Many countries have set up Web sites to help small firms find opportunities in world markets. For example, the Canadian Trade Commissioner Service ([www.tradecommissioner.gc.ca](http://www.tradecommissioner.gc.ca)) is a service supported by Foreign Affairs, Trade and Development Canada. Its Web site offers information about international markets and provides export assistance.

These suggestions do not exhaust the types of data available, however. A single source, *The Statistical Yearbook of the United Nations*, contains global data on agriculture, mining, manufacturing, construction, energy production and consumption, internal and external trade, railroad and air transport, wages and prices, health, housing, education, communication infrastructure, and availability of mass communication media. The U.S. Central Intelligence Agency publishes *The World Factbook*, which is revised yearly. Other important sources of data are the World Bank, the International Monetary Fund, and Japan’s Ministry of International Trade and Industry (MITI). *The Economist* and the *Financial Times* regularly compile comprehensive surveys of regional and country markets and include them in their publications. Data from these sources are generally available in both print and electronic form.

How can such data be useful? Take industrial growth patterns as one example. Because they generally reveal consumption patterns, production patterns are helpful in assessing market opportunities. Additionally, trends in manufacturing production indicate potential markets for companies that supply manufacturing inputs. At the early stages of growth in a country, when per capita incomes are low, manufacturing centers on such necessities as food and beverages, textiles, and other forms of light industry. As incomes rise, the relative importance of these industries declines as heavy industry begins to develop.

A word of caution is in order at this point: Remember that data are compiled from various sources, some of which may not be reputable. Even when the sources are reputable, there is likely to be some variability from source to source. Anyone using data should be clear on exactly what the data are measuring. For example, studying income data requires understanding whether one is working with GNP or GDP figures. Also, anyone using the Internet as an information source should evaluate the credibility of the person(s) responsible for the Web site. Moreover, as Czinkota and Ronkainen note,<sup>19</sup> secondary data may support the decision to pursue a market opportunity outside the home country, but such data are unlikely to shed light on specific questions: What is the market potential for our furniture in Indonesia? How much does the typical Nigerian consumer spend on soft drinks? Now that German law no longer requires that the “Der Grüne Punkt” trademark appear on product packaging, what effect, if any, will dropping the logo have on consumer purchasing behavior in Germany?

Syndicated studies published by private research companies are another source of secondary data and information (the word *syndicated* comes from the newspaper and television industries

and refers to the practice of selling articles, cartoons, or guest columns, or programming to a number of different organizations). For example, MarketResearch.com ([www.marketresearch.com](http://www.marketresearch.com)) sells reports on a wide range of global business sectors, including consumer goods, food and beverages, and life sciences. The company partners with hundreds of research firms to offer a comprehensive set of reports. Although a single report can cost thousands of dollars, a company may be able to get the market information it needs without incurring the greater costs associated with conducting primary research.

### Step 5: Assessing the Value of Research

When data are not available through published statistics or studies, management may wish to conduct further study of the individual country market, region, or global segment. However, collecting information costs money. Thus, the marketing research plan should also spell out what this information is worth to the company in dollars (or euros, or yen, or some other currency) compared with what it would cost to collect it. What will the company gain by collecting these data? What would be the cost of not getting the data that could be converted into useful information? Research requires an investment of both money and managerial time, and it is necessary to perform a cost–benefit analysis before proceeding further. In some instances, a company will pursue the same course of action no matter what the research reveals. Even when more information is needed to ensure a high-quality decision, a realistic cost estimate of a formal study may reveal that the cost to perform research is simply too high.

The many small markets around the world pose a special problem for the researcher. The relatively low profit potential in smaller markets justifies only modest expenditures for marketing research, so the global researcher must devise techniques and methods that keep expenditures in line with the market’s profit potential. The researcher is often pressured to discover economic and demographic relationships that can lead to estimates of demand based on a minimum of information. It may also be necessary to use inexpensive survey research that sacrifices some elegance or statistical rigor to achieve results within the constraints of the smaller market research budget.

### Step 6: Research Design

As indicated in Figure 6-2, if secondary data can be used, the researcher can go directly to the data analysis step. Suppose, however, that data are not available through published statistics or studies; in addition, suppose that the cost–benefit analysis indicated in step 5 has been performed and that the decision has been made to carry on with the research effort. **Primary data** are gathered through original research pertaining to the particular problem identified in step 1. At this point, it is time to establish a research design.

Global marketing guru David Arnold offers the following guidelines regarding data gathering:<sup>20</sup>

- Use multiple indicators rather than a single measure. This approach will decrease the level of uncertainty for decision makers. As the saying goes, “There are three sides to every story: your side, my side, and the truth.” A land surveyor can pinpoint the location of a third object given the known location of two objects. This technique, known as *triangulation*, is equally useful in global market research.
- Individual companies should develop customized indicators specific to the industry, product market, or business model. Such indicators should leverage a company’s previous experience in global markets. For example, in some developing markets, Mary Kay Cosmetics uses the average wage of a female secretary as a basis for estimating income potential for its beauty consultants.
- Always conduct comparative assessments in multiple markets; do not assess a particular market in isolation. Comparative assessment enables management to develop a “portfolio” approach in which alternative priorities and scenarios can be developed. For example, to better understand Czech consumers in general, a company might also conduct research in nearby Poland and Hungary. By contrast, if a brewing company wished to learn more about beer consumption patterns in the Czech Republic, it might also conduct research in Ireland and Germany, where per capita beer consumption is high.
- Observations of purchasing patterns and other behavior should be weighted more heavily than reports or opinions regarding purchase intention or price sensitivity. Particularly in developing markets, it is difficult to accurately survey consumer perceptions.

With these guidelines in mind, the marketer must address a new set of questions and issues in primary data collection. Should the research effort be geared toward quantitative, numerical data that can be subjected to statistical analysis, or should qualitative techniques be used? In global market research, it is advisable for the plan to call for a mix of techniques. For consumer products, qualitative research is especially well suited to accomplish the following tasks:<sup>21</sup>

- To provide consumer understanding; to “get close” to the consumer
- To describe the social and cultural contexts of consumer behavior, including cultural, religious, and political factors that impact decision making
- To identify core-brand equity and “get under the skin” of brands
- To “mine” the consumer and identify what people really feel

**ISSUES IN DATA COLLECTION** The research problem may be more narrowly focused on marketing issues, such as the need to adapt products and other mix elements to local tastes and to assess demand and profit potential. Demand and profit potential, in turn, depend in part on whether the market being studied can be classified as existing or potential. *Existing markets* are those in which customer needs are already being served by one or more companies. In many countries, data about the size of existing markets—in terms of dollar volume and unit sales—are readily available. In some countries, however, formal market research is a relatively new phenomenon and data are scarce.

In recent years, McKinsey & Company, Gartner Group Asia, and Grey China Advertising have been very active in China. For example, using focus groups and other techniques, Grey China gathers a wealth of information about attitudes and buying patterns that it publishes in its Grey China Base Annual Consumer Study. Recent findings point to growing concerns about the future, Westernization of grocery purchases, growing market saturation, increasingly discerning customers, and a rise in consumer willingness to try new products. Even with such data collection efforts, however, data gathered by different sources may be inconsistent. What is the level of soft drink consumption in China? Euromonitor International estimates consumption at 23 billion liters, whereas Coca-Cola’s in-house marketing research team places the figure at 39 billion liters. Likewise, CSM, a Chinese television-rating agency, estimates the TV-advertising market at \$2.8 billion per year, but Nielsen Media Research puts this figure closer to \$7.5 billion.<sup>22</sup>

In such situations, and in countries where such data are not available, researchers must first estimate the market size, the level of demand, or the rate of product purchase or consumption. A second research objective in existing markets may be assessment of the company’s overall competitiveness in terms of product appeal, price, distribution, and promotional coverage and effectiveness. Researchers may be able to pinpoint a weakness in the competitor’s product or identify an underserved or unserved market segment. The minivan and sport-utility vehicle segments of the auto industry illustrate the opportunity that an existing market can present. For years, Chrysler dominated the U.S. minivan segment, for which annual sales at one time totaled nearly 1.2 million vehicles. Most global marketers compete in this segment, although a number of models have been discontinued due to declining sales. For example, Toyota introduced its Japanese-built Previa in the United States in 1991; critics mocked the teardrop styling and dismissed it as being underpowered. For the 1998 model year, the Previa was replaced with the American-built Sienna. To ensure that the Sienna suited American tastes, Toyota designers and engineers studied Chrysler minivans and duplicated key features such as numerous cup holders and a second sliding rear door on the driver’s side.

In some instances, there is no existing market to research. Such *potential markets* can be further subdivided into latent and incipient markets. A **latent market** is, in essence, an undiscovered segment. It is a market in which demand would materialize if an appropriate product were made available. In a latent market, demand is zero before the product is introduced. In the case of existing markets, such as the one for minivans previously described, the main research challenge is to understand the extent to which the competition fully meets customer needs. As J. Davis Illingworth, an executive at Toyota Motor Sales USA, explained, “I think the American public will look at Sienna as an American product that meets their needs.”<sup>23</sup> With latent markets, initial success is not based on a company’s competitiveness, but rather depends on the prime-mover advantage—that is, a company’s ability to uncover the opportunity and launch a marketing program that taps the latent demand. This is precisely what Chrysler achieved by single-handedly creating the minivan market.

Sometimes, traditional market research is not an effective means for identifying latent markets. As Peter Drucker has noted, the failure of U.S. companies to successfully commercialize fax machines—an American innovation—can be traced to research that indicated no potential demand for such a product. The problem, in Drucker’s view, stems from the typical survey question for a product targeted at a latent market. Suppose a researcher asks, “Would you buy a telephone accessory that costs upward of \$1,500 and enables you to send, for \$1 a page, the same letter the post office delivers for \$0.25?” On the basis of economics alone, the respondent most likely will answer, “No.”

According to Drucker, Japanese companies are the leading sellers of fax machines today because their understanding of the market was not based on survey research. Instead, they reviewed the early days of mainframe computers, photocopy machines, cell phones, and other information and communications products. The Japanese companies realized that, judging only by the initial costs associated with buying and using these new products, the prospects of market acceptance were low. However, each of these products became a huge success after people began to use them. This realization prompted the Japanese companies to focus on the market for the *benefits* provided by fax machines, rather than the market for the machines themselves. By looking at the success of courier services such as FedEx, they realized that, in essence, the fax machine market already existed.<sup>24</sup>

To illustrate Drucker’s point, consider the case of Red Bull energy drink. Dietrich Mateschitz hired a market research firm to assess the market potential for his creation. In the tests, consumers reacted negatively to the taste, the logo, and the brand name. Mateschitz ignored the research, and Red Bull is now a \$2 billion brand. As Mateschitz explains, “When we first started, we said there is no existing market for Red Bull, but Red Bull will create it. And this is what finally became true.”<sup>26</sup>

An **incipient market** is a market that will emerge if a particular economic, demographic, political, or sociocultural trend continues. A company is not likely to succeed if it offers a product in an incipient market before the trends have taken root. After the trends have had a chance to gain traction, the incipient market will become latent and, later, existing. The concept of incipient markets can also be illustrated by the impact of rising income on demand for automobiles and other expensive consumer durables. As per capita income rises in a country, the demand for automobiles will also rise. Therefore, if a company can predict a country’s future rate of income growth, it can also predict the growth rate of its automobile market.

For example, to capitalize on China’s rapid economic growth, Volkswagen, Peugeot, Chrysler, and other global automakers have established in-country manufacturing operations. China even has incipient demand for imported exotic cars; in early 1994, Ferrari opened its first showroom in Beijing. Because of a 150 percent import tax, China’s first Ferrari buyers were entrepreneurs who had profited from China’s increasing openness to Western-style marketing and capitalism. By the end of the 1990s, demand for luxury cars had grown at a faster rate than anticipated.<sup>27</sup> Today, annual passenger vehicle sales in China have passed the 20 million unit mark. Clearly, China represents a very attractive market opportunity for carmakers.

In the past, some companies had concluded that China had limited potential for their products. For example, in 1998, U.K.-based retailer Marks & Spencer closed its office in Shanghai and tabled plans to commence operations there. Commenting to the press, a spokesperson directly addressed the issue of whether the company viewed China as an incipient market:

After 3 years of research, we have come to the conclusion that the timing is not right. The majority of our customers are from middle-income groups. But, our interest is in Shanghai, and the size of the middle-income group, although it is growing, is not yet at a level that would justify us opening a store there.<sup>28</sup>

Within a decade, however, China’s emerging middle class represented an attractive opportunity. Marks & Spencer opened its first store in Shanghai in 2008; by 2017, there were 10 stores. However, when its sales stalled, the company pulled out of China for the second time. Part of the problem: low brand awareness, plus the fact that many Chinese shoppers prefer “fast-fashion” brands such as Zara and H&M.<sup>29</sup>

**“At that time, Japanese women almost never used mascaras because, by nature, they have very straight, short and thin lashes. We designed mascara that was able to lengthen and curl lashes. It was a huge success. We would never have seen that in a focus group.”<sup>25</sup>**

Jean-Paul Agon, Chairman and CEO, L’Oréal, discussing the decision to relaunch the Maybelline makeup brand in Japan with mascara

**RESEARCH METHODOLOGIES** Survey research, interviews, consumer panels, observation, and focus groups are some of the tools used to collect primary market data. These are the same tools

**"Data regresses to the mean. Something that's really original, really authentic, it's probably not going to score that well because people have a knee-jerk reaction against new things."<sup>30</sup>**

James Gilmore, coauthor, *Authenticity: What Consumers Really Want*

used by marketers whose activities are not global, though some adaptations and special considerations for global marketing may be required.

**Survey research** utilizes questionnaires designed to elicit quantitative data ("How much would you buy?"), qualitative responses ("Why would you buy?"), or both. Survey research is often conducted by means of a questionnaire distributed through the mail, asked over the telephone, or asked in person. Many good marketing research textbooks provide details on questionnaire design and administration.

In global market research, a number of survey design and administration issues may arise. When using the telephone as a research tool, it is important to remember that what is customary in one country may be impossible in others because of infrastructure differences, cultural barriers, or other reasons. For example, telephone directories or lists may not be available; also, important differences may exist between urban dwellers and people in rural areas. In China, for example, the Ministry of Information Industry reports that 77 percent of households in coastal areas have at least one fixed-line telephone; in rural areas, that proportion is only 40 percent.

At a deeper level, culture shapes attitudes and values in a way that directly affects people's willingness to respond to interviewer questions. Open-ended questions may help the researcher identify a respondent's frame of reference. In some cultures, respondents may be unwilling to answer certain questions or may intentionally give inaccurate answers.

Recall that step 2 of the global market research process calls for identifying possible sources of SRC bias. This issue is especially important in survey research: SRC bias can originate from the cultural backgrounds of those designing the questionnaire. For example, a survey designed and administered in the United States may be inappropriate in non-Western cultures even if it is carefully translated. This is especially true if the person designing the questionnaire is not familiar with the SRC. A technique known as *back-translation* can help increase comprehension and validity; it requires that, after a questionnaire or survey instrument is translated into a particular target language, it is translated once again, this time into the original language by a different translator. For even greater accuracy, *parallel translations*—two versions by different translators—can be used as input to the back-translation. The same techniques can ensure that advertising copy is accurately translated into different languages.

A **consumer panel** is a sample of respondents whose behavior is tracked over time. For example, a number of companies, including the Nielsen Media Research unit of Netherlands-based VNU, AGB, GfK, and TNS, conduct television audience measurement (TAM) by studying the viewing habits of household panels. Broadcasters use audience share data to set advertising rates; advertisers such as Procter & Gamble, Unilever, and Coca-Cola use the data to choose programs during which to advertise. In the United States, Nielsen has enjoyed a virtual monopoly on viewership research for half a century. For years, however, the four major U.S. television networks have complained that they lose advertising revenues because Nielsen's data collection methods undercount viewership. Nielsen has responded to these concerns by upgrading its survey methodology; the company now uses an electronic device known as a **peoplemeter** to collect national audience data. Peoplemeter systems are currently in use in dozens of countries around the world, including China; Nielsen is also rolling out peoplemeters to collect local audience viewership data in key metropolitan markets such as New York City.

When **observation** is used as a data collection method, one or more trained observers (or a mechanical device such as a video camera) watch and record the behavior of actual or prospective buyers. The research results are then used to guide marketing managers in their decision making. For example, after Volkswagen's U.S. sales began to slump, the company launched "Moonraker," an 18-month effort designed to help its engineers, marketers, and design specialists better understand American consumers. Despite the presence of a design center in California, decision makers at headquarters in Wolfsburg, Germany, generally ignored feedback from U.S. customers. As Stefan Liske, director of product strategy at VW, acknowledged, "We needed a totally different approach. We asked ourselves, 'Do we really know everything about this market?'" The Moonraker team visited the Mall of America in Minneapolis and the Rock and Roll Hall of Fame in Cleveland; they also spent spring break in Florida observing college students.

The experience was an eye-opener. As one designer explained, "In Germany, it's all about driving, but here, it's about everything *but* driving. People here want to use their time in other ways, like talk on their cell phone." Another member of the team, an engineer, shadowed a single mom as she took her kids to school and ran errands. The engineer noted that American drivers need

**"You can't go out and ask people what they need or want because they don't know. The whole trick is to come out with a product and say, 'Have you thought of this?' and hear the consumer respond, 'Wow! No, I hadn't.' If you can do that, you're on."<sup>31</sup>**

David Lewis, chief designer,  
Bang & Olufsen

a place to store a box of tissues and a place to put a bag of fast food picked up at a drive-through window. “I began thinking about what specific features her car needed. It was about living the customer’s life and putting ourselves in their place,” he said.<sup>32</sup>

A marketer of breakfast cereals might send researchers to preselected households at 6 A.M. to watch families go about their morning routines. The client could also assign a researcher to accompany family members to the grocery store to observe their behavior under actual shopping conditions. The client might wish to know about the shoppers’ reactions to in-store promotions linked to an advertising campaign. The researcher could record comments or discretely take photographs. Of course, companies using observation as a research methodology must be sensitive to concerns about privacy issues. A second problem with observation is *reactivity*, which is the tendency of research subjects to behave differently for the simple reason that they know they are under study. Additional examples of observation-based studies include the following:

- To gain insights for product and package design improvements, Procter & Gamble sent video crews into 80 households in the United Kingdom, Italy, Germany, and China. P&G’s ultimate goal was to amass an in-house video library database. Stan Joosten, an IT manager, noted, “You could search for ‘eating snacks’ and find all [the] clips from all over the world on that topic. Immediately, it gives you a global perspective on certain topics.”<sup>33</sup>
- Michelle Arnau, a marketing manager for Nestlé’s PowerBar brand, attended the 2004 New York City Marathon to see how runners were using single-serve packets of PowerGel. Arnau observed that runners typically tore off the top with their teeth and attempted to consume the gel in a single squeeze without breaking their stride. Designers at Nestlé then created an improved package with an upside-down, triangular-shaped top that is narrow enough to control the flow of the gel but also fits into the athlete’s mouth.<sup>34</sup>

In **focus group** research, a trained moderator facilitates discussion of a product concept, a brand’s image and personality, an advertisement, a social trend, or another topic with a group of 6 to 10 people. Global marketers can use focus groups to arrive at important insights. For example:

- In the mid-1990s, Whirlpool launched a successful advertising campaign in Europe that featured fantasy characters such as a drying diva and a washing-machine goddess. Before adapting the campaign for the United States and Latin America, the company conducted focus groups. Nick Mote, Whirlpool’s worldwide account director at France’s Publicis advertising agency, said, “We’ve had some incredible research results. It was just like somebody switched the lights on.”<sup>35</sup>
- In Singapore, focus groups of young teens were used to help guide development of Coca-Cola’s advertising program. As Karen Wong, Coke’s country marketing director for Singapore, explained, “We tested everything from extreme to borderline boring: body-piercing all over, grungy kids in a car listening to rock music and head-banging all the way. Youth doing things that youth in America do.” Some participants found much of Coke’s imagery to be too rebellious. As one young Singaporean remarked, “They look like they’re on drugs. And if they’re on drugs, then how can they be performing at school?” Armed with the focus group results, Coca-Cola’s managers devised an ad campaign for Singapore that was well within the bounds of societal approval.<sup>36</sup>

A typical focus group meets at a facility equipped with recording equipment and a two-way mirror, behind which representatives of the client company observe the proceedings. The moderator can utilize a number of approaches to elicit reactions and responses, including projective techniques such as visualization and role plays. When using a projective technique, the researcher presents open-ended or ambiguous verbal stimuli to a subject. Presumably, when responding, the subjects will “project”—that is, reveal—any unconscious attitude, needs, or biases. By analyzing the responses, researchers are better able to understand how consumers perceive a particular product, product concept, brand, or company.

Visualization is especially appropriate and effective for companies wishing to create breakthrough or disruptive innovations. Suppose a consumer electronics company wants to generate ideas for a new home theater system. In the focus group, the moderator attempts to erase all stimuli



## ENTREPRENEURIAL LEADERSHIP, CREATIVE THINKING, AND THE GLOBAL STARTUP

### Daniel Ek, Spotify

Daniel Ek is an entrepreneur who developed an innovative service and started a company called Spotify to market it. By applying the basic tools and principles of modern global marketing, Ek achieved remarkable success (see Exhibit 6-5).

As is true with many entrepreneurs, Ek's idea was based on his own needs and wants. In the late 1990s, he discovered Napster, the original file-sharing Web site for music. Ek recalls, "Napster changed my life. You could search for any band, and there it was. It allowed me to listen to all this music that I never knew existed." Ultimately, the courts ordered Napster to shut down for infringing intellectual property rights.

Within a few years of Napster's demise, a number of legal music-subscription services appeared on the scene, including Rhapsody, MOG, and a legal version of Napster. Meanwhile, Apple created the market for paid, legal music downloads with its iTunes Store. Undeterred by the competitive landscape, Ek was convinced that "there had to be a better way" to learn about new music and share music with others while also compensating songwriters and performers. Ek's insight was to tap the power of social media—specifically Facebook—for music sharing.

As a young man growing up in Sweden, Ek benefitted from a government program designed to ensure that most households had computers. At home, he was exposed to both music and technology; by the time he was 14 years old, he was earning as much as \$15,000 per month designing Web pages. When he was 16, Ek applied for a job at Google but was turned away with the advice, "Come back when you have a degree." Ek briefly attended Sweden's Royal Institute of Technology, but dropped out to start Tradedoubler, an Internet marketing company.

After taking time off to do some soul searching, Ek decided to start a music streaming company; the result was Spotify. From his base in

Sweden, Ek expanded across Europe and, in 2011, he launched the service in the United States. By mid-2017, Spotify had 140 million users with on-demand access to more than 30 million songs. Spotify's business model is built on the "freemium" pricing strategy. Several service tiers are available. The service is free for listeners who are willing to listen to ads. Student subscribers pay \$4.99 per month; otherwise, individual subscriptions cost \$9.99 per month. Family plans are available for \$14.99 per month. Apple Music offers similar pricing, but without the free tier.

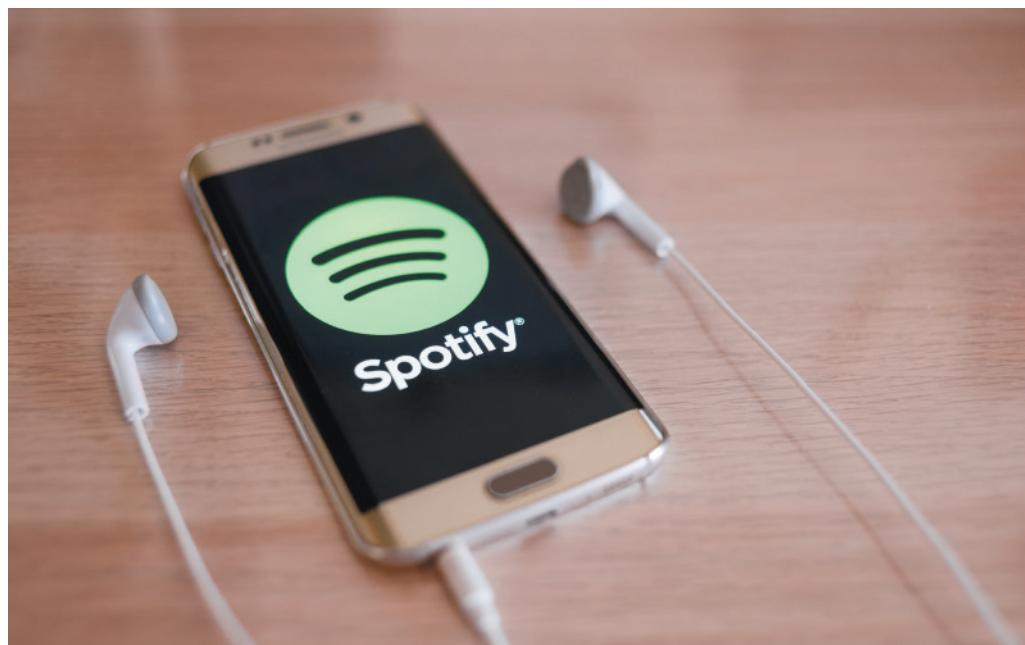
Spotify gathers a great deal of data from its listeners. First-time subscribers provide basic demographic and geographic data such as age, gender, and country of residence. In addition, every time a user hits the "play" button, data are generated. Spotify uses these data to improve the listening experience for its subscribers, many of whom are Millennials. What's more, Spotify users have created more than 1.5 billion playlists; the different names tell Spotify a great deal about the listening context—for example, "coffeehouse," "exercise," and so on.

Among the challenges facing Spotify today as it expands globally is the difficulty of licensing songs on a country-by-country basis. As Ek notes, "That doesn't really work in this Internet world where a song made here in Sweden might be shared with someone in Ukraine." A related issue is rights holder compensation. Even though Spotify pays hundreds of millions of dollars—about 70 percent of its revenues—in royalties and licensing fees, many artists have criticized Spotify for not paying them enough. In addition, Apple Music is on track to surpass Spotify in terms of paid U.S. subscribers.

**Sources:** Anne Steele, "Apple Nips at Spotify's Lead," *The Wall Street Journal* (February 5, 2018), p. A9; Johannes Ledel and John Stoll, "Boss Talk: Spotify—Eating Google's Lunch and Loving It," *The Wall Street Journal* (August 27, 2013), p. B7; Jefferson Graham, "Daniel Ek Wants to Turn You on to New Music," *USA Today* (February 20, 2013), p 1B.

**Exhibit 6-5** Daniel Ek is the Swedish entrepreneur who started Spotify, the popular on-demand music streaming service. For a song that receives 1 million plays, Spotify pays out fees totaling \$6,000 to \$8,000; the money is split between record labels, artist, songwriters, and publishers.

**Source:** norazaminayob/Shutterstock.



by dimming the lights. Participants close their eyes and lie down on pillows or comfortable surfaces. The moderator speaks quietly and gently:

Picture yourself lying comfortably in a hammock on a lovely spring day. Gaze intently at a tree, then focus on one leaf, and watch it turn from green to white, like a movie screen, where you can project anything that you want. Picture whatever is your perfect place, and put yourself and anyone else you desire into the scene. Now imagine you're watching and hearing your favorite program. Maybe Kerry Washington is once again saving the White House in *Scandal*. How are you seeing the image? What furniture or equipment—if any—do you see? What else is in the room? What size is the image? Who else is there?

After further questions of this type, the moderator guides the participants back to the “here and now” by suggesting that the scene they are visualizing is fading until the screen is white, the tree leaf turns from white back to green, and then they see the whole tree again. The participants open their eyes, sit up, take a pad of paper, and record in words and pictures as much as possible of what they experienced. These experiences are shared with the group, and can serve as springboards for new home entertainment concepts.

Many variations on the role-play technique exist, which can be used to uncover insights for innovation. The quest to reveal these hidden points often takes the form of an ideation workshop. A consumer may have unmet needs or wants that she hasn’t conveyed directly because she’s not consciously aware of them. Those needs may emerge during role plays; the technique is projective because the consumer projects onto others what she can’t (or won’t) see in herself. Perhaps a variety of psychological factors—such as motivations, attitudes, or fears—contribute to whether a consumer accepts or rejects a product. In addition, when participants in a role play act out each minute step in a process, the researchers may notice something that is incongruous or unconscious that can lead to a product improvement.

For example, managers at a home-care products company might participate in a role play that also involves consumers. Before the focus group is convened, each manager on the client team is briefed about a consumer who has been recruited. Then, the managers meet in a group and each one role-plays his or her consumer using a particular product. In other words, they “walk” in the consumers’ shoes, with the goal of understanding and predicting consumers’ behavior and interactions with the product. Then the actual consumers arrive at the session and perform the task with the product. The managers from the client company can see for themselves how well or poorly they role-played their respective consumers. In this case, the managers witness first-hand what they got right or wrong, and why.

As example, suppose an automaker convenes a focus group to assess car-buying preferences among a segment consisting of twenty-somethings. The researcher might ask participants to describe a party where various automotive brands are present. What is Nissan wearing, eating, and drinking? Which kind of sneakers does Honda have on? What are their personalities like? Who’s shy? Who’s loud? Who gets the girl (or guy)? Interactions among group members can result in synergies that yield important qualitative insights that are likely to differ from those based on data gathered through more direct questioning.

For example, executives at the ABC Family channel realized that they needed to rebrand the network after research revealed the associations that viewers made with the name. As Karey Burke, vice president for programming and development, explained:

We saw a psychographic study of what sort of person audiences thought different channels would be. MTV was a “cool teenager,” the CW was a “thoughtful college student,” and ABC Family was a “Midwestern housewife.” That’s not what we were.<sup>37</sup>

Within a few months, the channel was renamed Freeform.

Focus groups, visualization, and role plays yield qualitative data that do not lend themselves to statistical projection. Such data suggest, rather than confirm, hypotheses; also, qualitative data tend to be directional rather than conclusive. Such data are extremely valuable in the exploratory phase of a project and are typically used in conjunction with data gathered via observation and other methods.

**SCALE DEVELOPMENT** Market research requires assigning some type of measure, ranking, or interval to a response. To take a simple example of measurement, a *nominal scale* is used to establish the identity of a survey element. For example, male respondents could be labeled “1” and female respondents could be labeled “2.” Scaling can also entail placing each response in some kind of continuum; a common example is the Likert scale, which asks respondents to indicate whether they “strongly agree” with a statement, “strongly disagree,” or whether their attitude falls somewhere in the middle. In a multicountry research project, it is important to have *scalar equivalence*, which means that two respondents in different countries with the same value for a given variable receive equivalent scores on the same survey item.

Even with standard data-gathering techniques, the application of a particular technique may differ from country to country. Matthew Draper, vice president at New Jersey-based Total Research Corporation, cites “scalar bias” as a major problem: “There are substantial differences in the way people use scales, and research data based on scales such as rating product usefulness on a scale of 1 to 10 is therefore frequently cluttered with biases disguising the truth.” For example, while the typical American scale would equate a high number such as 10 with “most” or “best” and 1 with “least,” Germans prefer scales in which 1 is “most/best.” Also, while American survey items pertaining to spending provide a range of figures, Germans prefer the opportunity to provide an exact answer.<sup>38</sup>

**SAMPLING** When collecting data, researchers generally cannot administer a survey to every possible person in the designated group. A sample is a selected subset of a population that is representative of the entire population. The two best-known types of samples are probability samples and nonprobability samples. A probability sample is generated by following statistical rules that ensure each member of the population under study has an equal chance—or probability—of being included in the sample. The results of a probability sample can be projected to the entire population with statistical reliability reflecting sampling error, degree of confidence, and standard deviation.

In contrast, the results of a nonprobability sample cannot be projected with statistical reliability. One form of nonprobability sample is a *convenience sample*. As the name implies, with this type of sample researchers select people who are easy to reach. For example, in one study that compared consumer shopping attitudes in the United States, Jordan, Singapore, and Turkey, data for the latter three countries were gathered from convenience samples recruited by an acquaintance of the researcher. Although data gathered in this way are not subject to statistical inference, they may be adequate to address the problem defined in step 1. In this study, for example, the researchers were able to identify a clear trend toward cultural convergence in shopping attitudes and customs that cut across modern industrial countries, emerging industrial countries, and developing countries.<sup>39</sup>

To obtain a *quota sample*, the researcher divides the population under study into categories; a sample is then taken from each category. The term *quota* refers to the need to make sure that enough people are chosen in each category to reflect the overall makeup of the population. For example, assume a country’s population is divided into six categories according to monthly income, as follows:

Percentage of population	10%	15%	25%	25%	15%	10%
Earnings per month	0–9	10–19	20–39	40–59	60–69	70–100

If it is assumed that income is the characteristic that adequately differentiates the population for study purposes, then a quota sample would include respondents of different income levels in the same proportion as they occur in the population—that is, 15 percent with monthly earnings from 10 to 19, and so on.

### Step 7: Data Analysis<sup>40</sup>

The data collected up to this point must be subjected to some form of analysis if they are to be useful to decision makers. Although a detailed discussion is beyond the scope of this text, a brief overview of data analysis is in order. First, the data must be prepared—the term *cleaned* is sometimes used—before further analysis is possible. They must be logged and stored in a central location or database. When research has been conducted in various parts of the world,

this process of rounding up data can pose some difficulties. Are data comparable across samples so that multicountry analysis can be performed? Some amount of editing may be required; for example, some responses may be missing or difficult to interpret. Next, questionnaires must be coded. Simply put, coding involves identifying the respondents and the variables. Finally, some data adjustment may be required.

Data analysis continues with *tabulation*—that is, the arrangement of data in tabular form. Researchers may wish to determine various things: the mean, median, and mode; range and standard deviation; and the shape of the distribution (e.g., that of a normal curve or not). For nominally scaled variables such as “male” and “female,” a simple cross-tabulation may be performed.

Suppose, for example, that Nielsen Media Research surveyed video gamers to determine how they feel about products (e.g., soft drinks) and advertisements (e.g., a billboard for a cell phone) embedded in video games. Nielsen could use cross-tabulation to separately examine the responses of male and female subjects to see if their responses differ significantly. If females are equally or more positive in their responses than males, video game companies could use this information to persuade consumer products companies to pay to have select products targeted at women featured as integral parts of the games. Researchers can use various relatively simple statistical techniques such as hypothesis testing and chi-square testing; advanced data analysis such as analysis of variance (ANOVA), correlation analysis, and regression analysis can also be used.

If the researcher is interested in the interactions among variables, *interdependence techniques* such as factor analysis, cluster analysis, and multidimensional scaling can be used to study these aspects of the data. **Factor analysis** can be used to transform large amounts of data into manageable units; specialized computer programs perform data reduction by “distilling out” from a multitude of survey responses a few meaningful factors that underlie attitudes and perceptions. Factor analysis is useful in psychographic segmentation studies and can also be used to create perceptual maps.

In this form of analysis, variables are not classified as dependent or independent. Instead, subjects are asked to rate specific product benefits on five-point scales. Table 6-2 shows a hypothetical scale that Google might use to assess consumer perceptions of a new smartphone. Although the scale shown in Table 6-2 lists 10 characteristics/benefits, factor analysis will generate *factor*

**TABLE 6-2 Hypothetical Scales for Obtaining Consumer Perceptions of Google Pixel 2 Smartphone**

*Instructions: Please rate this product on the following product characteristics or benefits.*

Variables (Product Characteristics/Benefits)	Rating				
	Low	2	3	4	High
1. Long battery life	—	—	—	—	—
2. Many apps available	—	—	—	—	—
3. 4G Internet access	—	—	—	—	—
4. Thin case	—	—	—	—	—
5. Intuitive interface	—	—	—	—	—
6. Music storage capacity	—	—	—	—	—
7. Large display screen	—	—	—	—	—
8. Fits hand comfortably	—	—	—	—	—
9. Works anywhere in the world	—	—	—	—	—
10. Fast processing speed	—	—	—	—	—

*loadings* that enable the researcher to determine which two or three factors underlie the benefits. In this way, factor analysis results in data reduction. For the smartphone, the researcher might label the factors “easy to use” and “stylish.” The computer doing the analysis will also output *factor scores* for each respondent; respondent 1 might have a factor score of .35 for the factor identified as “easy to use”; respondent 2 might have a factor score of .42, and so on. When all respondents’ factor scores are averaged, Google’s position on a perceptual map can be determined (see Figure 6-3). Similar determinations can be made for other smartphone brands.

**Cluster analysis** allows the researcher to group variables into clusters that maximize within-group similarities and between-group differences. This type of analysis shares some characteristics of factor analysis: It does not classify variables as dependent or independent, and it can be used in psychographic segmentation. Cluster analysis is well suited to global market research because it can help establish similarities and differences among local, national, and regional markets of the world. Such analysis can also be used to perform benefit segmentation and to identify new product opportunities.

**Multidimensional scaling (MDS)** is another technique for creating perceptual maps. When the researcher is using MDS, the respondent is given the task of comparing products or brands, one pair at a time, and judging them in terms of similarity. The researcher then infers the dimensions that underlie these judgments. MDS is particularly useful when there are many alternatives from which to choose—soft drink, toothpaste, or automotive brands, for instance—and when consumers may have difficulty verbalizing their perceptions. To create a well-defined perceptual map, a minimum of eight products or brands should be used.

For example, suppose that a luxury goods marketer such as Coach initiates a study of consumer perceptions of global luxury brands. There are many luxury brands to choose from; some (including Coach) have outlet stores featuring discounted merchandise, and some offer “flash sales” offering selected styles for a limited time. Some brands, including Michael Kors and Ralph Lauren, offer lower-priced but highly profitable “diffusion” lines in addition to high-end collections. Some luxury goods firms, including Louis Vuitton, distribute their goods exclusively through company-owned retail stores; for Burberry and other brands, channel strategy includes wholesale operations.

Consumers may differentiate one designer brand from another in various ways: how easy it is to purchase each brand, how visible each brand is, whether the brand offers diffusion lines, and so on. To the researcher, this might represent an underlying perceptual dimension of “ubiquitous versus rare.” Table 6-3 shows a five-point similarity judgment scale for eight designer brands.

**TABLE 6-3** MDS Study Inputs: Similarity Judgment Scales for Pairs of Luxury Brands

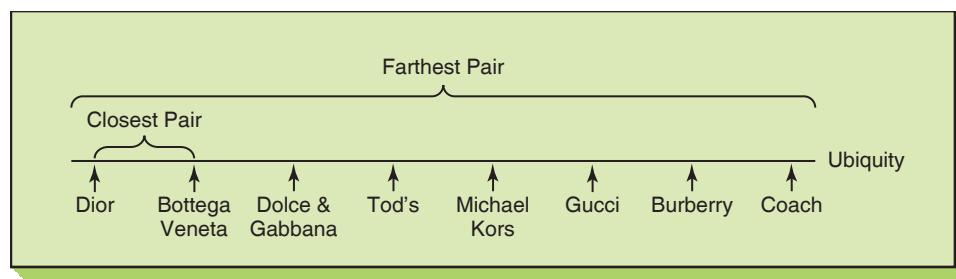
	Very Similar				Very Different
	1	2	3	4	5
Burberry/Gucci	—	—	—	—	—
Burberry/Coach	—	—	—	—	—
Burberry/Michael Kors	—	—	—	—	—
Burberry/Tod's	—	—	—	—	—
Burberry/Dolce & Gabbana	—	—	—	—	—
Burberry/Dior	—	—	—	—	—
Burberry/Bottega Veneta	—	—	—	—	—
Gucci/Coach	—	—	—	—	—
Gucci/Michael Kors	—	—	—	—	—
Gucci/Tod's	—	—	—	—	—
Gucci/Dolce & Gabbana	—	—	—	—	—
Gucci/Dior	—	—	—	—	—
Gucci/Bottega Veneta	—	—	—	—	—

Figure 6-4 shows the position of the eight brands on the “ubiquity” dimension for a hypothetical respondent. The figure shows that Burberry and Coach are perceived as the most similar while Coach and Dior are the farthest apart.

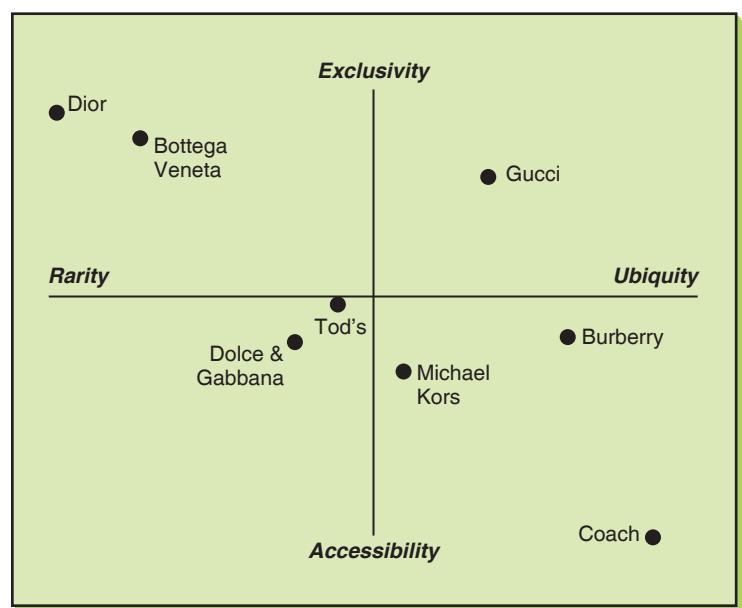
The responses help marketers understand which brands in a particular category—luxury fashion brands in this example—are in direct competition with each other and which are not. The responses are used as input into a computer running an MDS program; the output is a perceptual map such as that shown in Figure 6-5. Once the computer has generated the map, the marketer examines the positions of different brands and infers the dimensions, which in this case are “ubiquity/rarity” and “exclusivity/accessibility.” Coach’s high ranking in terms of accessibility could be attributed in part to a pricing strategy that includes the lowest-priced entry-level handbag. Coach’s position on the ubiquity dimension would be a function of the brand’s multiple company-owned retail and outlet stores, wide availability at department stores, and the Poppy diffusion line.

This type of study could help Coach and other luxury goods marketers respond to new industry realities, which include a shift in the perception of what constitutes luxury and the increasing fragmentation of consumer tastes. Some of these changes in the market are driven by increasing opportunities in China and other emerging markets.<sup>41</sup> Such a map would also be helpful to, say, an up-and-coming fashion designer hoping to launch a new line. Perhaps the designer could find an optimal ubiquity/accessibility balance and fit in the gap between Burberry, Coach, and Ralph Lauren.

*Dependence techniques* assess the interdependence of two or more dependent variables with one or more independent variables. Conjoint analysis is an example of a dependence technique that is useful in both single market and global market research. Let us illustrate this with an



**FIGURE 6-4** Hypothetical One-Dimensional Illustration of Similarity Judgments for Luxury Brands



**FIGURE 6-5** Hypothetical MDS-Based Perceptual Map for Luxury Fashion Brands

example from the SUV category of the automotive industry. Suppose Kia's new-product team has performed an MDS study and created a perceptual map similar to the one shown in Figure 6-4. The next task is to select an ideal position and then identify specific product features that match up with the desired positioning. To do so, the researchers must determine the relative importance of a product's *salient attributes* in consumer decision making—that is, the relevance or importance that consumers attach to a product's qualities or properties. If the target position is "smooth, car-like ride with sports handling," the team must determine relevant physical product characteristics (e.g., 6-cylinder engine, 6-speed transmission). The team must also determine other characteristics (e.g., price, mileage, warranty) that consumers most prefer. Each attribute should be available in different levels—for example, a 5-year or 10-year warranty.

**Conjoint analysis** is a tool that researchers can use to gain insights into the combination of features that will be most attractive to consumers; it is assumed that features affect both perception and preferences. Table 6-4 shows a listing of possible features—a total of 36 combinations in this case. In a full-profile approach, each of these combinations (e.g., 6-cylinder engine, 6-speed automatic transmission, 5-year warranty, \$27,500) is printed on an index card, and consumers are asked to rank them in order by preference. Conjoint analysis then determines the values or *utilities* of the various levels of product features and plots them graphically. Because the number of combinations can overwhelm subjects and lead to fatigue, it is sometimes preferable to use a pair-wise approach that allows subjects to consider two attributes at a time.

Better marketing research might have helped Nokia in its struggle to maintain leadership in the highly competitive global cellular phone market. Nokia focused on the functionality and features of its phones, even as consumer tastes and preferences were shifting to trendy styling and features such as cameras and large color screens. For years, Nokia manufactured only "candy bar" phones; because executives believed that the shape was a signature of the Nokia brand, the company did not offer flip (clamshell), slide, or swivel styles. Meanwhile, Sony, LG, Samsung, and Motorola were offering sleek new designs.

In Europe, Nokia's market share fell from 51 percent in 2002 to about 33 percent in 2004. "Nokia didn't have the coolness factor," says industry consultant Jack Gold. "They didn't really do flip phones; they were a little late with cameras, and they didn't push them. Coolness in the consumer space is a big deal, and they were stodgy." Ansii Vanjoki, Nokia's head of multimedia, acknowledges, "We read the signs in the marketplace a bit wrong. The competition was emphasizing factors such as color richness and screen size. That's attractive at the point of sale. We missed that one."<sup>42</sup>

**COMPARATIVE ANALYSIS AND MARKET ESTIMATION BY ANALOGY** One of the unique opportunities in global marketing analysis is to conduct comparisons of market potential and marketing performance in different country or regional markets at the same point in time. A common form of comparative analysis is the intra-company cross-national comparison. For example, general market conditions in two or more countries (as measured by income, stage of industrialization, or some other indicator) may be similar. If there is a significant discrepancy between per capita sales

**TABLE 6-4 Crossover SUV Product Feature Combinations for Conjoint Analysis**

	Engine Size	Transmission	Warranty	Price
Level 1	4-cylinder	4-speed automatic	3 years/50,000 miles	\$22,500
Level 2	6-cylinder	6-speed automatic	5 years/75,000 miles	\$27,500
Level 3	8-cylinder	8-speed automatic	10 years/100,000 miles	\$32,500

of a given product in the countries, the marketer might reasonably research that gap and determine which actions need to be taken. Consider the following examples:

- Campbell is the world's largest soup company, commanding approximately 80 percent of the U.S. canned soup market. However, the company has a presence in only 6 percent of the world's soup markets. Russians eat 32 billion servings of soup each year, and the Chinese consume 300 billion! By contrast, Americans eat 15 billion servings each year. Sensing a huge opportunity, Campbell CEO Douglas Conant dispatched teams to observe Russian and Chinese habits.<sup>43</sup>
- Cadbury, the British confectionary company owned by Kraft Foods, estimates that the chocolate market in India is worth approximately \$465 million per year. By contrast, annual chocolate sales are \$4.89 billion in Britain, which has one-tenth the population of India. Cadbury executives believe the Indian market for confections and chocolate will grow at more than 12 percent annually.<sup>44</sup>
- In India, only 10 percent of men who shave use Gillette razors. Worldwide, 50 percent of male shavers use Gillette products. To achieve greater penetration in India, Gillette rolled out a no-frills brand that costs 15 rupees—about 34 cents. The Gillette Guard has a lighter handle that is cheaper to produce, it lacks the lubrication strip found in Gillette's more expensive razors, and replacement blades cost only 5 rupees (11 cents).<sup>45</sup>

In these examples, data are, for the most part, available for assessing the source and scale of these market discrepancies. In other situations, global marketers may find that certain types of desired data are unavailable for a particular country market, especially in developing-country markets. If this is the case, it is sometimes possible to estimate market size or potential demand by analogy. Drawing an *analogy* is simply stating a partial resemblance. For example, Germany and Italy both have flagship automakers—Volkswagen and Fiat, respectively. A less well-known flagship automaker is Russia's AvtoVAZ. So, we could say that “AvtoVAZ is to Russia what Volkswagen is to Germany and Fiat is to Italy.” Statements such as this are analogies. Analogy reduces the unknown by highlighting the “commonness” of two different things.<sup>46</sup>

According to David Arnold, there are four possible approaches to forecasting by analogy:<sup>48</sup>

- Data are available on a comparable product in the same country.
- Data are available on the same product in a comparable country.
- Data are available on the same product from an independent distributor in a neighboring country.
- Data are available about a comparable company in the same country.

*Time-series displacement* is an analogy technique based on the assumption that an analogy between markets exists in different time periods. Displacing time is a useful form of market analysis when data are available for two markets at different levels of development. The time-displacement method requires a marketer to estimate when two markets are at similar stages of development. For example, the market for Polaroid instant cameras in Russia at the present time is comparable to the instant camera market in the United States in the mid-1960s. By obtaining data on the factors associated with demand for instant cameras in the United States in 1964 and in Russia today, as well as actual U.S. demand in 1964, one could estimate the current potential for these products in Russia.

### Step 8: Interpretation and Presentation

The report based on the market research must be useful to managers as input to the decision-making process. Whether the report is presented in written form, orally, or electronically via video, it must relate clearly to the problem or opportunity identified in step 1. Generally, it is advisable

**"Truffles are to the earth as oysters are to the sea. They capture the very essence of their habitat."**<sup>46</sup>

Chef patron Jacob Kenedy, Boca di Lupa

for major findings to be summarized concisely in a memo that indicates the answer or answers to the problem first proposed in step 1. Many managers are uncomfortable with research jargon and complex quantitative analysis. To overcome their resistance, results should be clearly stated and provide a basis for managerial action. Otherwise, the report may end up on the shelf, where it will gather dust and serve as a reminder of wasted time and money.

As the data provided by the corporate information systems and market research become increasingly available on a worldwide basis, it becomes possible to analyze marketing expenditures' effectiveness across national boundaries. Managers can then decide where they are achieving the greatest marginal effectiveness for their marketing expenditures and can adjust expenditures accordingly.

- **6-4** Compare the way a multinational firm organizes the marketing research effort with the way a global or transnational firm approaches the organizing issue.

## 6-4 Headquarters' Control of Market Research

An important issue for the global company is where to locate control of the organization's research capability. The difference between a multinational, polycentric company and a global, geocentric company on this issue is significant. In the multinational company, responsibility for research is delegated to the operating subsidiary. In contrast, the global company delegates responsibility for research to operating subsidiaries but retains overall responsibility and control of research as a headquarters' function. A key difference between single-country market research and global market research is the importance of comparability. In practice, this means that the global company must ensure that research is designed and executed so as to yield comparable data.

Simply put, *comparability* means that the results can be used to make valid comparisons between the countries covered by the research.<sup>49</sup> To achieve this goal, the company must inject a level of control and review of marketing research at the global level. The director of worldwide marketing research must respond to local conditions as he or she develops a research program that can be implemented on a global basis. The research director must pay particular attention to whether data gathered are based on *emic* analysis or *etic* analysis. These terms, which come from anthropology, refer to the perspective taken in the study of another culture. **Emic analysis** is similar to ethnography in that it attempts to study a culture from within, using its own system of meanings and values. **Etic analysis** is “from the outside”; in other words, it is a more detached perspective that is often used in comparative or multicountry studies. In a particular research study, an *etic* scale would entail using the same set of items across all countries. This approach enhances comparability, but means that some precision is inevitably lost.

By contrast, an *emic* study would be tailored to fit a specific country; inferences about cross-cultural similarities based on *emic* research have to be made subjectively. Consider, for example, Coca-Cola's experience in China when it launched fruit-flavored bottled teas. After the launch failed, the drinks giant commissioned an ethnographic study that revealed two key insights. First, Coca-Cola's U.S. headquarters is in Atlanta, Georgia. The researchers discovered that tea with added sweeteners and flavors is associated with pleasure and indulgence, especially when enjoyed with afternoon barbeques that are customary in the warm Southern states. The context helps explain the popularity of fruit flavors and added sugar. By contrast, in China, tea has different associations; its essence is subtraction, rather than addition of sugar and flavorings. Christian Madsbjerg described these findings in a recent book:

Tea—like meditation—is a tool in Chinese culture for revealing the true self. The experience should take away irritants and distractions like noise, pollution, and stress. It wasn't until Coke incorporated this fundamentally different understanding of the “tea experience” that their bottled products gained significant market share.<sup>50</sup>

A good compromise is to use a survey instrument that incorporates elements of both types of analysis. It is likely that the marketing director will end up with a number of marketing programs

**TABLE 6-5** Worldwide Marketing Research Plan

Research Objective	Country Cluster A	Country Cluster B	Country Cluster C
Identify market potential			X
Appraise competitive intentions		X	X
Evaluate product appeal	X	X	X
Study market response to price	X		
Appraise distribution channels	X	X	X

tailored to clusters of countries that exhibit within-group similarities. The agenda of a coordinated worldwide research program might look like the one in Table 6-5.

The director of worldwide research should not simply direct the efforts of country research managers. Instead, his or her job is to ensure that the corporation achieves maximum results worldwide from the total allocation of its research resources. Accomplishing this feat requires that personnel in each country are aware of research being carried out in the rest of the world and are involved in influencing the design of their own in-country research as well as the overall research program. Ultimately, the director of worldwide research is responsible for the overall research design and program. It is his or her job to take inputs from the entire world and produce a coordinated research strategy that generates the information needed to achieve global sales and profit objectives.

## 6-5 The Marketing Information System as a Strategic Asset

◀ 6-5 Explain how information's role as a strategic asset affects the structure of global corporations.

The advent of the transnational enterprise means that boundaries between the firm and the outside world are dissolving. Marketing has historically been responsible for managing many of the relationships across those boundaries. The boundaries between marketing and other functions are also dissolving, and the traditional notion of marketing as a distinct functional area within the firm may be giving way to a new model. Likewise, the process of marketing decision making is changing, largely because of the changing role of information from a support tool to a wealth-generating, strategic asset.

Many global firms are creating flattened organizations with less hierarchical and less centralized decision-making structures. Such organizations facilitate the exchange and flow of information among departments that previously may have operated as autonomous “silos.” The more information intensive the firm, the greater the degree to which marketing is involved in activities traditionally associated with other functional areas. In such firms, parallel processing of information takes place.

Information intensity in the firm has an impact on perceptions of market attractiveness, competitive position, and organizational structure. The greater a company’s information intensity, the more the traditional product and market boundaries are likely to shift. In essence, companies increasingly face new sources of competition from other firms in historically noncompetitive industries, particularly if those other firms are also information intensive. Diverse firms now find themselves in direct competition with each other. They offer essentially the same products as a natural extension and redefinition of their traditional product lines and marketing activities. Today, when marketers speak of “value added,” the chances are they are not referring to unique product features. Rather, the emphasis is on the information exchanged as part of customer transactions, much of which cuts across traditional product lines.

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## Summary

Information is one of the most basic ingredients of a successful marketing strategy. A company's *management information system (MIS)* and *intranet* provide decision makers with a continuous flow of information. *Information technology* is profoundly affecting global marketing activities by allowing managers to access and manipulate data to assist in decision making. *Electronic data interchange (EDI)*, *electronic point of sale (EPOS)* data, *efficient consumer response (ECR)*, *customer relationship management (CRM)*, and *data warehouses* are some of the new tools and techniques available. The global marketer must scan the world for information about opportunities and threats and make information available via a management information system.

Formal *market research*—the project-specific, systematic gathering of data—is often required before marketers make key decisions. *Global market research* links customers and marketers through information gathered on a global scale. The research process begins when marketers define the problem and set research objectives; this step may entail assessing whether a particular market should be classified as *latent* or *incipient*. A research plan specifies the relative amounts of qualitative and quantitative information desired. Information is collected using either primary or *secondary data* sources. In today's wired world, the Internet has taken its place alongside more traditional channels as an important secondary information source. In some instances, the cost of collecting primary data may outweigh the potential benefits. Secondary sources are especially useful for researching a market that is too small to justify a large commitment of time and money.

If collection of primary data can be justified on a cost–benefit basis, research can be conducted via *survey research*, *personal interviews*, *consumer panels*, *observation*, and *focus groups*. Before collecting data, researchers must determine whether a probability sample is required. In global marketing, careful attention must be paid to issues such as eliminating cultural bias in research, accurately translating surveys, and ensuring data comparability in different markets. A number of techniques are available for analyzing survey data, including *factor analysis*, *cluster analysis*, *multidimensional scaling (MDS)*, and *conjoint analysis*. Research findings and recommendations must be presented clearly. A final issue is how much control headquarters will have over research and the overall management of the organization's information system. To ensure comparability of data, the researcher should utilize both *emic* and *etic* approaches.

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## Discussion Questions

- 6-1. Describe the global marketer's considerations and adjustments of research methodologies when conducting research.
- 6-2. For a number of years, sales were falling in Argentina for Aguas Danone. They desperately needed to understand their customers, identify market opportunities and find a new product. Suggest how market segmentation helped the business succeed.
- 6-3. Outline the basic steps of the market research process.
- 6-4. What are some of the issues faced by the global market researcher while using a survey?
- 6-5. Coach has been described as “a textbook lesson on how to revitalize a brand.” The same could be said for Burberry, the British fashion goods company discussed in Chapter 1. Locate some articles about Burberry and read about the research its management has conducted and the formula it used to polish the brand. Are the approaches evident at Burberry and Coach similar? Are they competitors?
- 6-6. Below is a table similar to Table 6-3 that contains eight sports sedan nameplates. You can perform a rudimentary analysis along the lines of multidimensional scaling by ranking them by similarity. Do some research on the different models and see which pair you find to be the most similar. Which pair is the most different? Using these eight brands, create a rough perceptual map. What dimensions would you use to label the axes?

**MDS STUDY INPUTS: SIMILARITY JUDGMENT SCALES FOR PAIRS OF SPORT SEDANS**

	Very Similar				Very Different
	1	2	3	4	5
BMW328i/Volvo S60	—	—	—	—	—
BMW328i/Acura TL	—	—	—	—	—
BMW328i/Cadillac ATS	—	—	—	—	—
BMW328i /Audi A4	—	—	—	—	—
BMW328i/Mercedes-Benz C250	—	—	—	—	—
BMW328i/Lexus IS	—	—	—	—	—
BMW328i/Infiniti G37	—	—	—	—	—
Volvo S60/Acura TL	—	—	—	—	—
Volvo S60/Cadillac ATS	—	—	—	—	—
Volvo S60/Audi A4	—	—	—	—	—
Volvo S60/Mercedes-Benz C250	—	—	—	—	—
Volvo S60/Lexus IS	—	—	—	—	—
Volvo S60/Infiniti G37	—	—	—	—	—

**CASE 6-1** *(Continued from page 197)*

## Nestlé Middle East's Investment in Market Research

In 2015, Nestlé Middle East's total revenue, from a range of 60 products, was \$2.4 billion. Nestlé gains the consumer's trust not only by considering serious concerns over the quality of food and the variety it serves to its consumers, but also by investing in research labs to ensure that they exceed food safety and quality requirements. The Middle East is an important market globally and has been identified as a potential growth market with a lot of opportunities.

In March 2019, Nestlé Middle East announced that the number of women in management or senior leader roles had risen from 16 percent to 30 percent over the last eight years. This was a crucial step for the company's goal of improving gender balance across all its offices around the world. Another recent investment is the advanced Sensory Lab Unit for Renovation–Innovation of Products (SLURP), located in Dubai. This lab is fitted with high-end technological facilities to serve as a center of expertise for advanced sensory profiling analyses on shelf-stable dairy, coffee, and confectionery products.

Nestlé believes that investing in factories is extremely important as they support and facilitate research in various ways. As a market, the Middle East does not have homogenous consumers. Different countries have different tastes and preferences; the Middle East comprises 22 different countries with varying economies, cultures, and belief systems. Manufacturing products locally allows Nestlé to adapt to the cultural needs and preferences of the local markets and accelerate the delivery of fresher products to the consumer. Any new information gathered from the market can be implemented effectively in a timely manner. According to Nestlé, manufacturing products locally along with timely

implementation of information gives them a prime advantage over their competition. Nestlé has thus followed this practice for many of their manufacturing plants in the Middle East.

In March 2018, the company announced its intention to make 100 percent of its packaging reusable or recyclable by 2025. This initiative was introduced across the business with the goal of ensuring that none of the packaging or plastics is sent to a landfill. In February 2019, Nestlé Middle East announced that it was offering \$50,000 to the individual who comes up with a simple and economic way of checking daily levels of vitamin D deficiencies, a problem common across the Middle East and one that Nestle aims to address with a permanent solution. This will include developing a product portfolio that provides the ideal daily amount of vitamin D, phosphate, calcium, and other nutrition that is critical for the body. The company also plans to launch a long-term scientific health study of vitamin D deficiency in the Middle East and North Africa.

With health awareness on the rise, Nestlé is focusing not just on expansion but also on making its products healthier. It is planning to reduce salt, saturated fats, and sugar in new as well as existing products.

The United Arab Emirates is not the only country where Nestlé is interested in investing. In January 2019, Nestlé opened its new Bonjorno coffee factory in Egypt with an investment of \$14 million. The new factory has a direct workforce of about 240, along with 7,000 indirect jobs. The state-of-the-art factory was designed to meet their aim of supplying to the entire Egyptian market. This was made possible after Nestlé acquired Caravan Marketing Company SAE in January

2017. Nestlé has been investing in Egypt for over 100 years and now operates three factories with 3,500 direct employees.

Nestlé continues to expand in emerging markets and is currently using the popularly positioned products (PPP) model to drive growth in the region. In order to target emerging consumers who are entering the cash economy and buying branded goods for the first time, Nestlé's PPPs are adapted to meet the consumers' needs in terms of price, accessibility, and formats (such as single-serve packets). In Egypt, research conducted on behalf of the food service industry is used for Nestlé's professional strengthening. Moreover, since consumption on-the-go and out-of-home is steadily on the rise, there is scope for developing Nestlé's coffee-machine vending business.

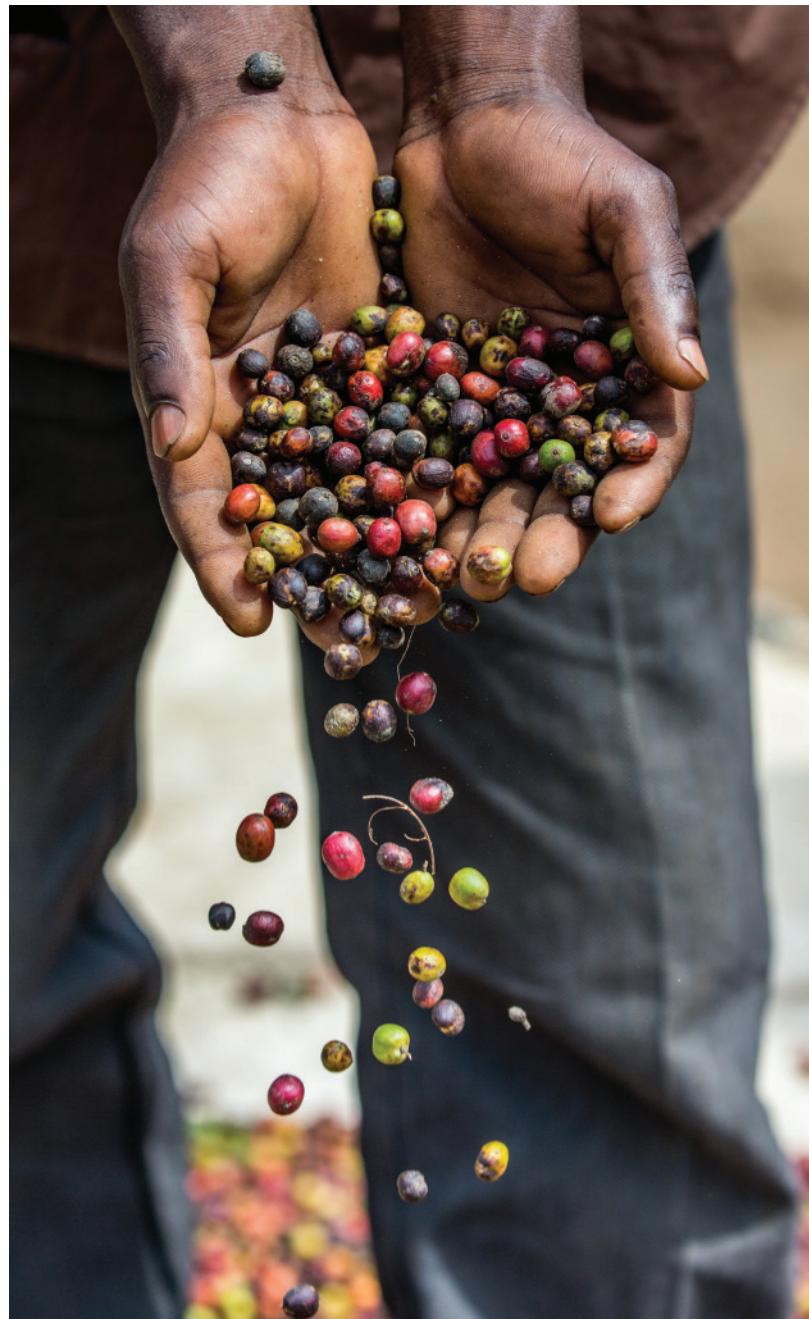
Satisfaction of the needs of consumers, from "emerging consumers" to "those looking for premium products," is a priority, and Nestlé continuously strives to fill this gap. The Egyptian Revolution, also

known as the Revolution of January 25, did not stop Nestlé's investment; a week after the uprising it publicized a \$160-million program for improvements across its manufacturing and distribution along with investment in skills over the next three to five years. Nestlé Egypt aims to attract and adapt to the cultural change in an innovative way. For instance, it launched a new nutrition initiative called "Healthy Kids," an educational scheme that aims to increase nutritional awareness and promote a healthy lifestyle. By the end of 2016, the program had reached over 650,000 children and trained around 2,000 teachers across 1,025 schools in 12 governorates.

Finally, Nestlé is very keen on different marketing-research-based projects like understanding the nutritional needs of its consumers in order to accelerate the development of products with an improved nutrition profile at the right price in emerging markets. For example, in 2012, in Nestlé entered into a research partnership with scientists

**Exhibit 6-6** Nestlé manufactures its products locally to adapt to the cultural needs and preferences of local markets and deliver fresh products faster.

Source: gudkovandrey/123rf.com.





**Exhibit 6-7** Nestlé Egypt's "Healthy Kids" scheme aims to increase nutritional awareness and promote a healthy lifestyle.

Source: Design Pics Inc./Alamy Stock Photo

coordinated by the Council for Scientific and Industrial Research, a part of the South African government's Department for Science and Technology. The partnership allows scientists to explore and make extensive use of Nestlé's research capabilities and expertise in nutrition, food science, and food safety. Moreover, part of Nestlé's global research and development efforts focuses on discovering new bioactive ingredients. Biodiversity is very important, and some of the research will work on studying how to make use of locally sourced ingredients to create foods that provide health benefits. Researchers have examined these ingredients' effectiveness in targeting different tissues and in promoting health overall.

### Discussion Questions

- 6-7. Critically examine Nestlé's positioning model.
- 6-8. Discuss the importance of investment in research with regard to the Nestlé case.

- 6-9. Explain the different ways in which market research can be used to satisfy consumers.

**Sources:** "A Word from the Chairman and CEO," Nestlé Middle East, [www.nestle-me.com/en/aboutus](http://www.nestle-me.com/en/aboutus); "Fact Sheet," Nestlé Middle East (2010), [www.nestle.com/assetslibrary/Documents/Library/Events/2010-Inauguration-of-a-new-factory-in-Dubai/Fact\\_Sheet\\_2010\\_Nestle\\_Middle\\_East\\_EN\\_FINAL.pdf](http://www.nestle.com/assetslibrary/Documents/Library/Events/2010-Inauguration-of-a-new-factory-in-Dubai/Fact_Sheet_2010_Nestle_Middle_East_EN_FINAL.pdf); "FMCG Companies Tap Middle East Growth," Warc (May 8, 2013), [www.warc.com/Content/News/FMCG\\_companies\\_tap\\_Middle\\_East\\_growth.content?ID=efe6d4d4-bd8c-44b7-9e1b-9700051a3718&q](http://www.warc.com/Content/News/FMCG_companies_tap_Middle_East_growth.content?ID=efe6d4d4-bd8c-44b7-9e1b-9700051a3718&q); "Nestlé Opens New USD 136 Million Factory in Dubai," Nestlé (2010), [www.nestle.com/media/newsandfeatures/nestle-opens-new-factory-dubai](http://www.nestle.com/media/newsandfeatures/nestle-opens-new-factory-dubai); "Nestlé Invests CHF 160m and Creates 500 New Jobs in Egypt," Nestlé (2010), [www.nestle.com/media/newsandfeatures/nestle-invests-chf-160m-and-creates-500-new-jobs-in-egypt](http://www.nestle.com/media/newsandfeatures/nestle-invests-chf-160m-and-creates-500-new-jobs-in-egypt); "Nestlé Egypt: The New Egypt," *Business Excellence* (November 25, 2011), [www.bus-ex.com/article/nestl%C3%A9-egypt](http://www.bus-ex.com/article/nestl%C3%A9-egypt); "Nestlé Partners with South African Scientists," *New Food Magazine* (March 6, 2012), [www.newfoodmagazine.com/7099/news/nestle-partners-with-south-african-scientists/](http://www.newfoodmagazine.com/7099/news/nestle-partners-with-south-african-scientists/); "Egypt Factory Investment as Appetite for Ice Cream Soars," Nestlé (2013), [www.nestle.com/Media/NewsAndFeatures/Ice-Cream-Egypt](http://www.nestle.com/Media/NewsAndFeatures/Ice-Cream-Egypt).



### CASE 6-2

## A Day in the Life of a Business Systems and Analytics Manager

Brad Spangenberg leads a team that oversees the critical business information technology (IT) systems, transaction and customer data, business intelligence reporting, and strategic analytics for the U.S. sales organization of BASF Agricultural Solutions. Headquartered in Ludwigshafen, Germany, BASF is one of the world's largest integrated chemical manufacturers and suppliers. With approximately 114,000 employees in more than 80 countries, BASF supplies chemistry-based products and solutions to business partners in nearly every part of the world. BASF's global advertising tagline, "We create chemistry," highlights the corporate mission to combine economic success with environmental protection and social responsibility.

Based in BASF Agricultural Solutions Headquarters in Research Triangle Park, North Carolina, Spangenberg and his team focus primarily on supporting the company's U.S. agriculture product portfolio. The Agricultural Solutions division has something to offer nearly every grower and farming operation in America. Examples of key brands and uses include Armezon Pro herbicide for early season weed control in corn (see Exhibit 6-8), Priaxor fungicide for foliar ("leaf-related") disease control in soybeans and cotton, and even Nealta miticide for mite control in almond orchards. That is what makes Spangenberg's job both fun and challenging at the same time. One day, he and his team are formatting county-level data about California almond acreage. (Fun fact:

Approximately 80 percent of the world's almond supply is produced in California's Central Valley.) The next day they are updating counts of independent and co-op chemical retailers across the Midwest.

The customer base is as complex as U.S. agriculture itself, comprising vastly different crops, cropping systems, distribution channels (some consisting of two steps, others including three steps), and grower entities (corporate versus individual owned and operated). Another fun fact: The United States had 318.2 million acres of farmland in production in 2017, and experts predict that by 2019 soybeans will have surpassed corn as the number 1 crop by acreage.

The Business Systems and Analytics team relies on structured customer hierarchies and market segmentation strategies to help the BASF Agricultural Solutions organization make sense of historical trends, current sales activities, and potential future opportunities. The work is structured into three main pillars and follows a path that starts with data cleaning and ends with delivering insights and predictions:

In a role like Spangenberg's, it's not a cliché to say that every workday is different, presenting new challenges and opportunities. The most difficult aspect is figuring out how to balance managing the day-to-day operational tasks—such as verifying third-party-reported point-of-sale transactions—with longer-term strategic work such as 10-year market forecasting. While both activity types have significant data and analytics components, they also require a substantial amount of human intervention and finesse.

"Data problems are actually people problems first," Spangenberg says. "Solving an IT infrastructure issue or analytics request means that we have to understand the people using that information first. What are their priorities and their concerns? What are they trying to accomplish? Once we know those things, we can more quickly and easily provide a solution."

That's where Spangenberg relies on his academic training in the humanities. He earned a BA degree in English and religion from a small liberal arts college in the Midwest and then went on to complete MA and PhD degrees in comparative literature at Purdue University in West Lafayette, Indiana. With that type of training, Spangenberg's most logical career path would have been to become a college professor. Although he pursued that angle for a time, he also remembers, "I always had this voice in my head saying, 'What if this literature professor thing doesn't work out? What skills do I have to support me and my family?'"

That nagging concern drove him to continuously work on his "professional hedges"—namely, those skills and job opportunities that could differentiate him in a crowded marketplace. As part of that quest, he sought to improve all the "basics" that he learned during his high school and undergraduate studies.

As a college student, Spangenberg audited German 101 and German 102 and spent the summers after his junior and senior years studying at language institutes in Germany. After finishing his

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**Exhibit 6-8** BASF's Armezon Pro herbicide for early season weed control in corn is one of the products Spangenberg's customers rely on.

Source: BASF Corporation.

## Improved business tools for improved understanding, greater efficiency and better insights

Customer Knowledge Center	Reporting	Analytics
Improve business predictability through better, cleaner data	Improve business steering through more standardized, repeatable reporting	Improve business agility through insightful analytics and guidance

undergraduate studies, he earned two graduate degrees in comparative literature at Purdue University and also spent an exchange year at the Albert Ludwig University of Freiburg.

Throughout his post-graduate education, Spangenberg continued to refine his German language skills, tutored at the Purdue Writing Center (home of the well-known Purdue Online Writing Lab), learned business communication, studied abroad, tried his hand (unsuccessfully) at stock market investing, contributed to digital projects and blogs, threw himself into grammar and rhetoric, and even applied for a Fulbright Scholarship ("Rejected!"). Those elements, diverse as they were, made him ready for the day when a friend recommended that he apply for a global communications position with BASF Agricultural Solutions in Germany.

Including his studies, Spangenberg has spent nearly five years living and working abroad in Germany. Those experiences became some of the most exciting and adventurous of his and his family's lives, yet they were also, at times, some of the most frustrating and secluded. For anyone considering the possibility of working abroad, Spangenberg offers some practical advice based on his five-plus years' experience:

- *Financial basics:* Make sure you (or your company) have plans in place for your banking, taxes (your home country and host country of residence), currency exchange, credit, and insurance (health, life, liability).
- *Language skills for all the "little" situations:* Most of your coworkers and other professionals (e.g., doctors, bankers, managers) will speak and understand English, but don't assume the same for the Internet/telecommunications installer, office IT support, gym manager, doctor's receptionist, apartment custodian, or hairstylist. Knowing enough of the target language to get by in these little situations goes a long way toward your overall enjoyment and satisfaction abroad. It also helps you build rapport with host country nationals, because they see you have made the effort to "meet them halfway" by working on your language skills.
- *Company culture and networking:* Go out of your way to meet people in the company and around town. Ask what they do, how to be successful, how to avoid pitfalls and faux pas, and which activities they enjoy in their free time. Remember that you are the "outsider" in these situations, so the longer you wait for others to come talk to you, the more isolated you'll start to feel.

At the end of the day, Spangenberg found that working abroad presents many of the same opportunities and challenges as working at home. The best advice he ever received became something of a family motto: "When you're at home, you dream of adventure; when you're on an adventure, you dream of home."

No matter where in the world the job position is located, Spangenberg has found some commonalities in regard to the nature of work and employee expectations, which he now includes as agenda items for monthly team meetings. Take creativity, for example. As automation becomes increasingly prevalent in agriculture and other industry sectors, it is incumbent on every employee to produce more creative solutions and strategies to stay ahead of the curve. This principle has an inverse as well: Which operational, mundane tasks can be automated or delegated? As Spangenberg says, "We need to be creative enough to look for solutions but also self-assured enough to start moving things off our plate."

Communication is also critically important. Spangenberg continues, "If you can't communicate your analysis, problem, or subject matter, then you won't capture—or hold—anyone's attention. Communication goes beyond writing or speaking skills. It's really the ability to decide—often on the fly—how to structure and present an argument, concept, or need."

So, what does Spangenberg look for when hiring new team members? A positive attitude is key, as is the ability to deal with failure. Spangenberg offers the following advice to new hires: Be willing to learn and be willing to fail. New things and questions will always come along, and managing them requires that employees adapt quickly. Those who have the passion and interest to learn will generally thrive, as will those with a positive attitude, because that perspective helps them to move on from failure or quickly react to critical feedback

Given the rapid pace of change in agriculture, critical thinking skills are important as well. As Spangenberg notes, "Sometimes you're presented with a problem in the real world that doesn't have an easy solution. In other words, it's not a textbook problem! So, you have to be quick on your feet and not constantly bugging your manager to ask about the next step you should take. They hired you for a reason."

Finally, what advice would Spangenberg offer to recent college graduates or those looking to move up the corporate ladder? "Anticipation, intentionality, and having the end in mind," he says. "If people are intentional and can anticipate their next steps, then they will save the company a lot of headaches in the future. It also keeps team members happier to be able to think that their work is having an impact on the bigger picture."

"This also applies to personal goals," Spangenberg says. "If someone has a goal, or has the end in mind, it will keep him or her on the path that is moving forward. This is also called 'foresight.' In other words, spend time imagining what the future will be like, which problems might arise, and how you might start solving them now. Spangenberg concludes, "By the time your manager identifies a problem for you to 'work on,' it's likely too late."



<sup>46</sup>Ben McCormack, “Truffle Hunting: The Best London Restaurants to Enjoy White Truffles,” *The Telegraph* (October 31, 2016), p. 4.

<sup>47</sup>Ikujiro Nonaka and Hirotaka Takeuchi, *The Knowledge-Creating Company* (Cambridge, MA: Harvard Business School Press, 1995), p. 67. As Nonaka and Takeuchi explain, “Metaphor and analogy are often confused. Association of two things through metaphor is driven mostly by intuition and holistic imagery and does not aim to find differences between them. On the other hand, association through analogy is carried out by rational thinking and focuses on structural/functional similarities between two

things. . . . Thus analogy helps us understand the unknown through the known.”

<sup>48</sup>David Arnold, *The Mirage of Global Markets* (Upper Saddle River, NJ: Financial Times Prentice Hall, 2004), pp. 41–43.

<sup>49</sup>V. Kumar, *International Marketing Research* (Upper Saddle River, NJ: Prentice Hall, 1999), p. 15.

<sup>50</sup>Christian Madsbjerg, *Sensemaking: The Power of the Humanities in the Age of the Algorithm* (New York, NY: Hachette Books, 2017), p. 118.



# 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.