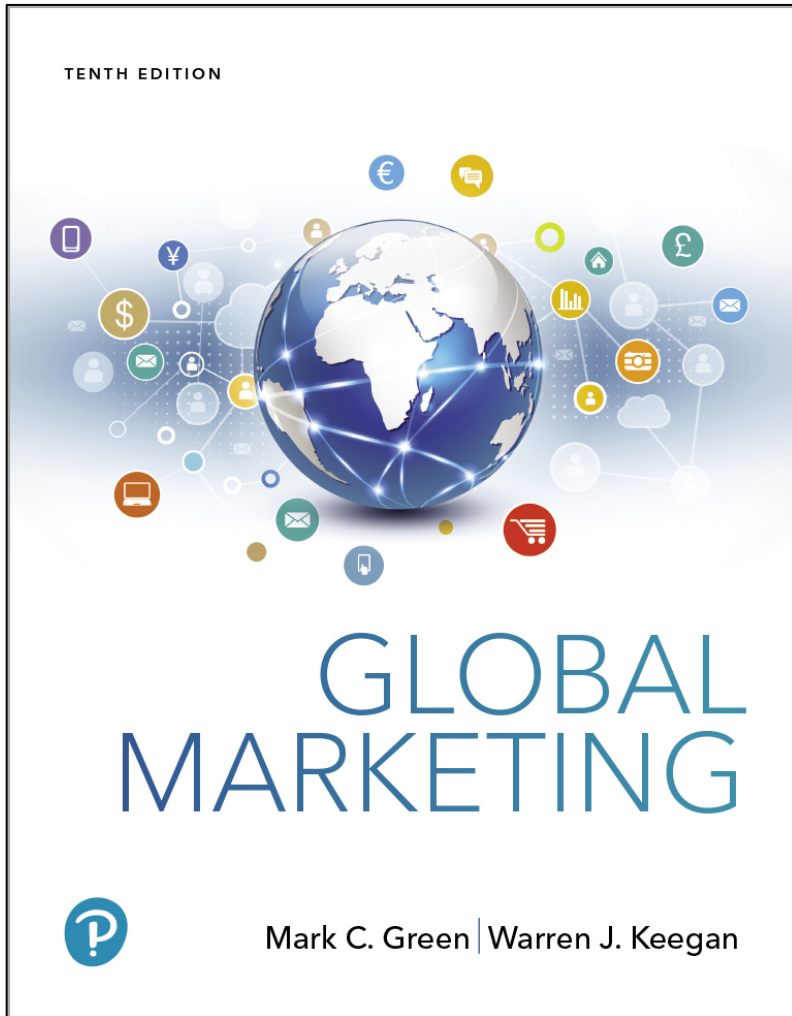


Global Marketing

Tenth Edition



Chapter 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.

Global Market Segmentation (1 of 2)

- The process of dividing the world market into distinct subsets of customers that have similar needs (for example, country groups or individual interest groups).
- **Pluralization of Consumption** or **segment simultaneity** theory was advanced by Professor Theodore Levitt four decades ago stating that consumers seek variety and new segments will appear in many national markets. e.g., sushi, pizza

Global Market Segmentation (2 of 2)

Types of segmentation methods

- Demographic segmentation
- Psychographic segmentation
- Behavior segmentation
- Benefit segmentation

Demographic Segmentation (1 of 2)

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

Demographic Segmentation (2 of 2)

- 600 million SE Asian consumers, 70% under age 40
- India has the youngest demographic profile among the world's large nations; 2/3 are younger than 35
- Half of Japanese will be 50+ yrs. by 2025
- EU consumers under 16 almost as large as over 60
- 20% of Americans (70 million) will be 65+ by 2030
- U.S. ethnic groups-African/Black, Hispanics, & Asian Americans have a combined annual buying power of \$3.5 trillion
- US is home to 28.4 million foreign-born with income of \$233b

Income & Population Segmentation

- 2/3 world GNI in the Triad, 12% of population
- Don't use income as the only variable for assessing market opportunity
- Use Purchasing Power Parity
- Do not read into the numbers
 - Some services are free in developing nations so there is more purchasing power
- For products with low enough price, population is a more important variable

Purchasing Power Parity

- GDP converted to U.S. currency should be calculated by PPP
- PPP is what the currency will buy in the country of issue
- Industrialized countries paid for goods and services that are free in poor countries
- Chinese per capita income \$8,250; PPP adjusts to \$15,500
- 10 most populous countries have 60% of world income
- 5 most populous countries have 46% of that

China and India, World's Largest Countries

- 1.3 billion population each
- High income, fast growing high-income segments in both
- CPG companies are targeting India where the middle class of 300 million but not all own cars, computers, washing machines
- Mass marketing is problematic due to regional differences of language, culture, history

Market Segments by Income & Population

- Global Teens-12 and 19 yr. olds

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

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



Gender Segmentation

- Gender segmentation is an obvious choice for some companies
- Fashion designers & cosmetic companies focus on women but may also offer men's products
 - Nike is focused on women
 - Levi Strauss opened Levi's for Girls in Paris

Psychographic Segmentation

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

Big Data and Data Mining

- Facebook & other tech firms mine social media
- Analytics include qualitative and quantitative techniques
- Retailers embed FB's pixel code in their Web sites
- FB Consumer Insight's categories: Shopping Mavens, Fashion Enthusiasts, Opportunistic Shoppers, etc.

Behavior Segmentation

- Focus on whether people purchase a product or not, how much, and how often they use it
- Usage rates: heavy, medium, light, non-user
- User status: potential, non-users, ex-users, regulars, first-timers, users of competitor's products
- 80/20 Rule or Law of Disproportionality or Pareto's Law- 80% of a company's revenues are accounted for by 20% of the customers

Benefit Segmentation

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

Ethnic Segmentation

- The population of many countries includes ethnic groups of significant size
- Three main groups in the U.S. are African-Americans, Asian-Americans, and Hispanic Americans
- Subdivide Asians further: Thai, Vietnamese, & Chinese Americans
- Hispanic Americans
 - 55 million Hispanic Americans (17% of total pop.) with \$2 trillion annual buying power
 - “\$1 trillion Latina” 24 million Hispanic women: 42% single, 35% HOH, 54% working

Assessing Market Potential (1 of 2)

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

Assessing Market Potential (2 of 2)

- Current size of the segment and growth potential
 - Single market segment may be small but if in several countries may hold potential
- Potential competition
 - May avoid markets with strong competition unless vulnerable because of price or quality

Feasibility and Compatibility (1 of 2)

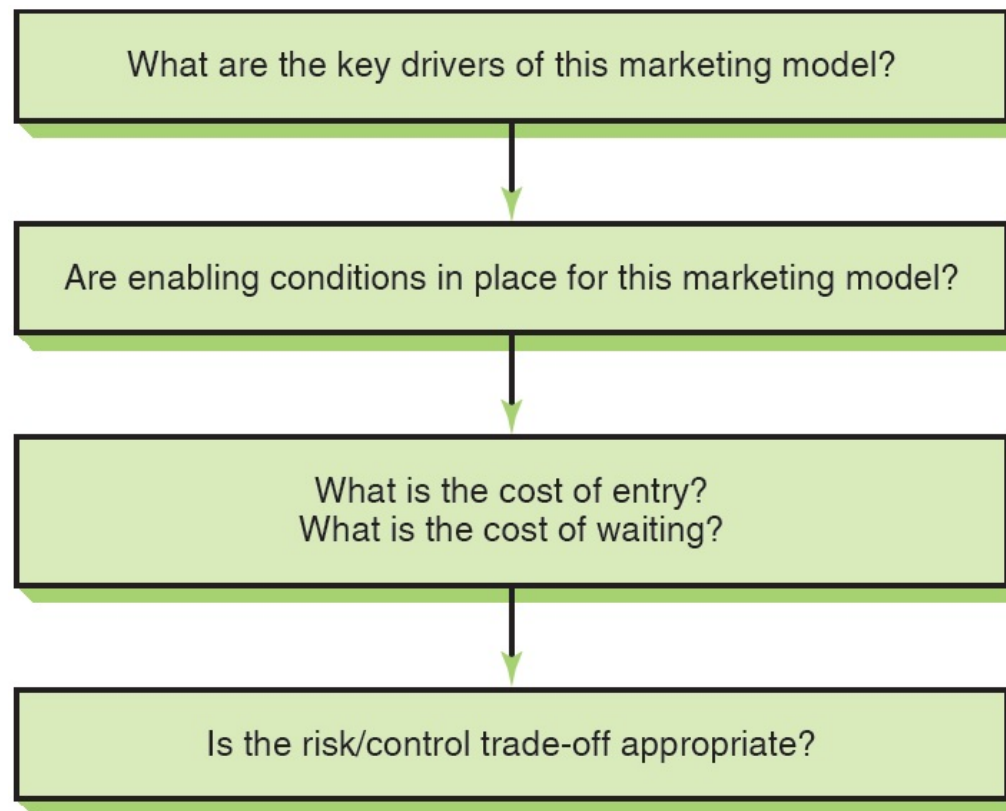
- Negative Factors
 - Regulatory factors
 - Marketing issues like distribution
 - Adaptation?
 - Import restrictions, high tariffs, strong home-country currency
 - Sourcing? Local or import?
 - Segment compatible with the brand, goals, competitive advantage source?

Feasibility and Compatibility (2 of 2)

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

Framework for Selecting Target Markets

Figure 7-1 Screening Criteria for Market Segments



9 Questions for Creating a Product-Market Profile (1 of 2)

- Who buys our product?
- Who does not buy it?
- What need or function does it serve?
- Is there a market need that is not being met by current product/brand offerings?
- What problem does our product solve?

9 Questions for Creating a Product-Market Profile (2 of 2)

- What are customers buying to satisfy the need for which our product is targeted?
- What price are they paying?
- When is the product purchased?
- Where is it purchased?

Product-Market Decisions

- Review current and potential products for best match for country markets or segments
- Create a matrix with countries and products to help with analysis
- Table 7-7, the 2012 Product-Market Grid for Lexus, shows which models are available in selected country markets
 - The IS model is available in all countries but the HS is only in North America

Target Market Strategy Options (1 of 2)

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

Target Market Strategy Options (2 of 2)

- **Concentrated Global Marketing**

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

- **Differentiated Global Marketing**

- Multisegment targeting
- Two or more distinct markets
- Wider market coverage
- Ex.: P&G markets Old Spice and Hugo Boss for Men

Positioning (1 of 3)

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

Positioning (2 of 3)

- **Attribute or Benefit**
 - Economy
 - Reliability
 - Durability
- BMW: The Ultimate Driving Machine or
- Visa: It's Everywhere You Want To Be
- **Quality and Price**
 - Continuum from high price/quality and high price to good value
- Stella Artois beer: Reassuringly Expensive

Positioning (3 of 3)

- Use or User
 - Associates the brand with a user or class of users
- Max Factor: The makeup that makeup artists use
- Competition
 - Implicit or explicit reference to competition
- Dove: Campaign for Real Beauty
 - 2% of women worldwide think they are beautiful
 - New definition of beauty

Positioning Strategies

- **Global consumer culture positioning**

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

- **Foreign consumer culture positioning**

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

- **Local consumer culture positioning**

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

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