
GLOBAL SEGMENTATION AND POSITIONING



CHAPTER OVERVIEW

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Early February 2009 Lenovo, the Chinese computer maker that vaulted onto the international stage four years earlier by buying the personal computers divisions of IBM, reported a loss of \$97 million for the fiscal quarter ending Dec. 31, 2008. PC shipments were down 5 percent while revenue dropped 20 percent compared to the year-earlier quarter. To overhaul its business, Lenovo announced that it would refocus on China and other emerging markets. Lenovo's management also would concentrate on consumers rather than the big corporate customers, the mainstay of the former IBM PC business.¹

Few companies can be all things to all people. Instead of competing across the board, most companies will identify and target the most attractive market segments that they can serve effectively. Variation in customer needs is the primary motive for market segmentation. When consumer preferences vary, marketers can design a marketing mix program that is tailored toward the needs of the specific segments that the firm targets. Marketers select one or more segmentation bases (e.g., age, lifestyle) and slice up their prospective customer base according to the chosen criteria. Marketing programs are then developed that are in tune with the particular needs of each of the segments that the company wants to serve.

In global marketing, market segmentation becomes especially critical, given the sometimes incredibly wide divergence in cross-border consumer needs and preferences. In this chapter, we first focus on the motivations for international market segmentation. Given information on the segmentation criteria you plan to use, you can take several

¹“Lenovo Refocuses on China,” *The Wall Street Journal Asia*, February 6–8, 2009, pp. 1, 15.

country segmentation approaches. We describe in detail several possible segmentation scenarios. We then consider several bases that marketers might consider for country segmentation. Once the company has chosen its target segments, management needs to determine a competitive positioning strategy for its products. The final sections focus on different international positioning strategies that companies can pursue.

◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ REASONS FOR INTERNATIONAL MARKET SEGMENTATION

The goal of market segmentation is to break down the market for a product or a service into different groups of consumers who differ in their response to the firm's marketing mix program. That way, the firm can tailor its marketing mix to each individual segment, and, hence, do a better job in satisfying the needs of the target segments. This overall objective also applies in an international marketing context. In that sense, market segmentation is the logical outgrowth of the marketing concept.²

The requirements for effective market segmentation in a domestic marketing context also apply in international market segmentation. In particular, segments ideally should possess the following set of properties:³

1. *Identifiable.* The segments should be easy to define and to measure. This criterion is easily met for "objective" country traits such as socioeconomic variables (e.g., per capita income). However, the size of segments based on values or lifestyle indicators is typically much harder to gauge.
2. *Sizable.* The segments should be large enough to be worth going after. Note that modern technologies such as flexible manufacturing enable companies to relax this criterion. In fact, many segments that might be considered too small in a single-country context become attractive once they are lumped together across borders.
3. *Accessible.* The segments should also be easy to reach through promotional and distributional efforts. Differences in the quality of the distribution (e.g., road conditions, storage facilities) and media infrastructure (e.g., Internet penetration) imply that a given segment might be hard to reach in some countries and easy to target in other marketplaces.
4. *Stability.* If target markets change their composition or behavior over time, marketing efforts devised for these targets are less likely to succeed.
5. *Responsive.* For market segmentation to be meaningful, it is important that the segments respond differently from each other to differentiated marketing mixes.
6. *Actionable.* Segments are actionable if the marketing mix necessary to address their needs is consistent with the goals and the core competencies of the company.

Let us consider now the major reasons why international marketers implement international market segmentation.

Country Screening

Companies usually do a preliminary screening of countries before identifying attractive market opportunities for their product or service. For preliminary screening, market analysts rely on a few indicators for which information can easily be gathered from secondary data sources. At this stage, the international market analyst might classify countries in two or three piles. Countries that meet all criteria will be grouped in the "Go" pile for further consideration at the next stage. Countries that fail to meet most of the criteria will enter the "No Go" pile. The third set of countries meet some of the criteria but not all of them. They may become of interest in the future but probably not in the short term.

²Yoram Wind and Susan P. Douglas, "International Market Segmentation," *European Journal of Marketing*, vol. 6, no. 1, 1972, pp. 17–25.

³Michel Wedel and Wagner A. Kamakura, *Market Segmentation. Conceptual and Methodological Foundations* (Boston: Kluwer Academic Publishers, 1998), Chapters 1 and 2.

Companies will use different sets of criteria to screen countries, depending on the nature of the product. Cultural similarity to the domestic market is one criterion on which companies often rely. Other popular screening criteria include market attractiveness in terms of economic prosperity (e.g., per capita GNP), geographic proximity and the country's economic infrastructure.⁴

Country segmentation also plays a role in global marketing research. Companies increasingly make an effort to design products or services that meet the needs of customers in different countries. Certain features might need to be added or altered, but the core product is largely common across countries. Other aspects of the marketing mix program such as the communication strategy might also be similar. The benefits of a standardization approach often outweigh the possible drawbacks. Still, to successfully adopt this approach, companies need to do sufficient market research. Given the sheer number of countries in which many companies operate, doing market research in each one of them is often inefficient. Especially at the early stage, companies are likely to focus on a select few countries. The key question, then, is which countries to choose. One approach is to start grouping prospective markets into clusters of homogeneous countries. Out of each group, one prototypical member is chosen. Research efforts will be concentrated on each of the key members, at least initially. Presumably, research findings for the selected key member countries can then be projected to other countries belonging to its cluster. For example, Heineken chose four countries to do market research for Buckler, a non-alcoholic beer: the Netherlands, Spain, the United States, and France. The Dutch brewer wanted to assess the market appeal of Buckler and the feasibility of a pan-European marketing strategy consisting of a roughly common targeting, positioning, and marketing mix strategy across the continent.⁵

When a product or service does well in one country, firms often hope to replicate their success story in other countries. The strategic logic is to launch the product in countries that in some regards are highly similar to the country where the product has already been introduced.⁶ For example, Cadbury-Schweppes was very confident about launching Schweppes tonic water in Brazil, given that the beverage was well accepted in culturally similar countries such as Mexico.

It is important, though, to realize that a host of factors make or break the success of a new product launch. Tabasco sauce is very popular in many Asian countries like Japan with a strong liking for spicy dishes. Hence, McIlhenny, the Louisiana-based maker of Tabasco sauce, might view entering Vietnam and India, two of the emerging markets in Asia with a palate for hot food, as the logical next step for its expansion strategy in Asia. Other factors, however, such as buying power, import restrictions, or the shoddy state of the distribution and media infrastructure could lessen the appeal of these markets.

Segmentation decisions are also instrumental in setting the company's product positioning strategy. Once the firm has selected the target segments, management needs to develop a positioning strategy to embrace the chosen segments. Basically, the company must decide on how it wants to position its products or services in the mind of the prospective target customers. Environmental changes or shifting consumer preferences often force a firm to rethink its positioning strategy. Cathay Pacific's repositioning strategy in the mid-1990s is a good example. The Hong Kong-based airline carrier realized that its product offerings failed to adequately meet the needs of its Asian clients, who represent 80 percent of its customer base. To better satisfy this target segment, the airline repositioned itself in the fall of 1994 to become the preferred airline among Asian travelers. To that end, Cathay

Global Marketing Research

Entry Decisions

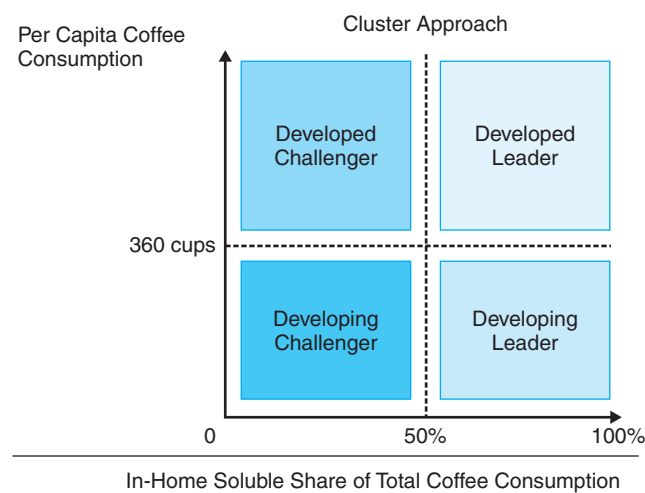
Positioning Strategy

⁴Debanjan Mitra and Peter N. Golder, "Whose Culture Matters? Near-Market Knowledge and Its Impact on Foreign Market Entry Timing," *Journal of Marketing Research*, 39 (August 2002), pp. 350–65.

⁵Sandra Vandermerwe, "Heineken NV: Buckler Nonalcoholic Beer," Case Study, International Institute for Management Development, Switzerland, 1991.

⁶Johny K. Johansson and Reza Moinpour, "Objective and Perceived Similarity for Pacific-Rim Countries," *Columbia Journal of World Business*, Winter 1977, pp. 65–76.

EXHIBIT 7-1
MARKET CLUSTERING APPROACH FOR INSTANT COFFEE



wanted to project an Asian personality with a personal touch. Cathay now offers a wide variety of Asian meals and entertainment. Other measures include a new logo (by some people referred to as a shark-fin), new colors, repainted exteriors, and redesigned cabins and ticket counters. To communicate these changes to the public, Cathay launched a heavy advertising campaign with the slogan “The Heart of Asia.”⁷

Resource Allocation

Market segmentation will also be useful in deciding how to allocate the company’s scarce marketing resources across different countries. **Exhibit 7-1** shows how Nestlé clusters countries using two criteria for Nescafé, its instant coffee brand: per capita coffee consumption and the market share of in-home soluble coffee of overall coffee consumption. Countries where the share of instant coffee is more than 50 percent are classified as *leader* markets; countries where R&G coffee⁸ is dominant are classified as *challenger* markets. Developed markets are those with an annual per capita consumption of more than 360 cups. Countries below the 360-cups cutoff are developing markets from Nestlé’s perspective. A representation such as the one shown in Exhibit 7-1 offers guidance for an MNC in formulating its strategic objectives and allocating resources across groups of countries in a given region or worldwide. For instance, Nestlé’s managers could decide to concentrate marketing resources in countries that have a low market share but a high per capita consumption to bolster their firm’s market share. Alternatively, resources could be allocated to countries where the firm has a strong competitive position but still fairly low coffee consumption. At the same time, managers would probably ponder cutting resources in markets with low coffee consumption and where Nestlé’s market share is weak.

Marketing Mix Policy

In domestic marketing, segmentation and positioning decisions dictate a firm’s marketing mix policy. By the same token, country segmentation guides the global marketer’s mix decisions. A persistent problem faced by international marketers is how to strike the balance between standardization and customization. International market segmentation could shed some light on this issue. Countries belonging to the same segment might lend themselves to a standardized marketing mix strategy. The same product design, an identical pricing policy, similar advertising messages and media, and the same distribution channels could be used in these markets. Of course, marketers need to be very careful when

⁷John Pies, former Cathay Pacific executive, private communication.

⁸Roast and ground.

contemplating such moves. There should be a clear linkage between the segmentation bases and the target customers' responsiveness to any of these marketing mix instruments.

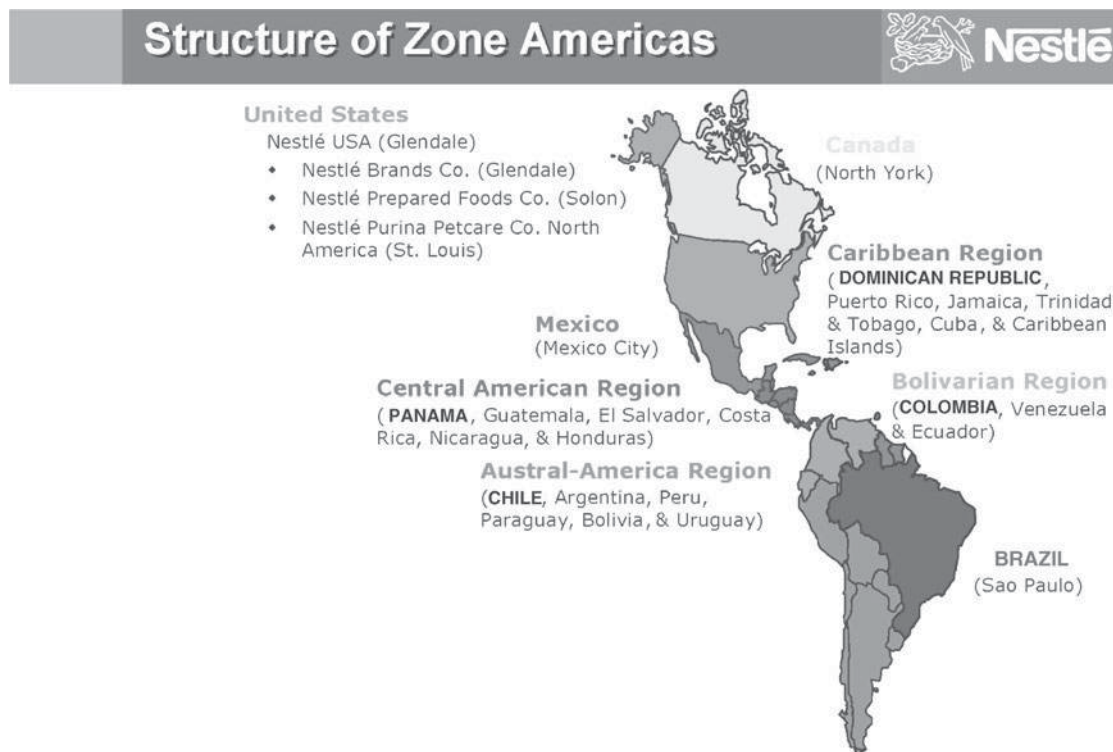
Usually, it is very difficult to establish a linkage between market segments and all four elements of the marketing mix. For instance, countries with an underdeveloped phone infrastructure (e.g., India, China, sub-Saharan Africa) are typically prime candidates for mobile phone technologies. However, many of these countries dramatically differ in terms of their price sensitivities given the wide gaps in buying power. Therefore, treating them as one group as far as the pricing policy goes might lead to disastrous consequences. The marketing team behind the Johnnie Walker scotch brand developed a schema classifying countries as "mature" (Western countries and Japan), "developing" (e.g., Spain, Portugal, Mexico, South Korea), or "emerging" (e.g., Brazil, Thailand, Russia, China). Each country group is characterized by different market conditions. For instance, Johnnie Walker faces rising costs of doing business (due to duties increases, product piracy) in "developing" countries and gray-channel situations in "emerging" markets.⁹ Depending on the prevailing conditions, different marketing strategies are called for.

INTERNATIONAL MARKET SEGMENTATION APPROACHES

Global marketers approach the segmentation process from different angles. A very common international segmentation procedure classifies prospect countries geographically on a single dimension (e.g., per capita Gross National Product) or on a set of multiple socioeconomic, political, and cultural criteria available from secondary data sources (e.g., the World Bank, UNESCO, OECD). This is known as **country-as-segments** or **aggregate segmentation**. In **Exhibit 7-2**, you can see how the Swiss

EXHIBIT 7-2

NESTLÉ'S GEOGRAPHIC SEGMENTATION OF THE AMERICAS



Source: Nestlé

⁹Amitava Chattopadhyay (2006), "Building the Johnnie Walker Brand," INSEAD Case Study # 506-212-1.

EXHIBIT 7-3
MACRO-LEVEL COUNTRY CHARACTERISTICS

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

Source: Kristiaan Helsen, Kamel Jedidi, and Wayne S. DeSarbo, “A New Approach to Country Segmentation Utilizing Multi-national Diffusion Patterns,” *Journal of Marketing*, 57, (5), October 1993 p. 64. Reprinted with permission from the *Journal of Marketing*, published by the American Marketing Association.

consumer conglomerate Nestlé geographically segments the Americas. While it treats some countries as stand-alone segments (e.g., Brazil, Canada, the United States), it groups others with neighboring countries. **Exhibit 7-3** presents a list of various general country characteristics that analysts might consider for classifying countries in distinct segments. When there are numerous country traits, the segmentation variables are usually first collapsed into a smaller set of dimensions using data reduction techniques such as factor analysis. The countries under consideration are then classified into homogeneous groups using statistical algorithms such as cluster analysis (see the Appendix for a brief overview of some of these techniques).

The country-as-segments approach has some major flaws. From a global marketer’s perspective, the managerial relevance of geographic segments is often questionable. Country boundaries rarely define differences in consumer response to marketing strategies. Furthermore, it is seldom clear what variables should be included in deriving the geographic segments.

An alternative approach is **disaggregate international consumer segmentation**. Here, the focus is the individual consumer. Just as with domestic marketing, one or more segmentation bases (e.g., lifestyle, demographic, values) are chosen. Consumer segments are then identified in terms of consumer similarities with respect to the chosen bases. The key problem here is that targeting a consumer segment that is geographically dispersed can become a logistical nightmare.

To address the shortcomings of the previous two approaches, **two-stage international segmentation** can offer solace.¹⁰ The first step—**macro-segmentation**—is the classification of countries into different groups. The second phase—**micro-segmentation**—consists of segmenting consumers for each country-cluster identified in the first step. In the first macro-level stage, countries are grouped on general segmentation bases. Some bases

¹⁰J.-B.E.M. Steenkamp and F. Ter Hofstede, “International Market Segmentation: Issues and Perspectives,” *International Journal of Research in Marketing* (September 2002), pp. 185–214.

are independent of the product or service for which the segmentation is being done. They can be observable (e.g., demographic, socioeconomic, cultural) or unobservable (e.g., lifestyle, values, personality) traits. This first step also enables the manager to screen out countries that are unacceptable (e.g., because of high political risk or low buying power) or do not fit the company's objectives. The second micro-level phase is similar to standard segmentation within a given country except that most consumer segments overlap across countries rather than being restricted to one particular country. The candidate micro-level segmentation criteria are similar to the segmentation bases considered for standard market segmentation: demographics (e.g., age, gender, family life-cycle stage), socio-economic measures (e.g., per capita income, social class), lifestyle, values, and benefits sought. The particular bases selected depend on the nature of the goal of the segmentation. Benefit segmentation, for example, is preferred when assessing new product ideas. These disaggregate data then form the ingredients for identifying cross-national segment of consumers within the geographic segment(s) chosen. Two-stage segmentation has several benefits. First, compared to purely geographic country-level aggregation, the segments will be more responsive to marketing efforts. The segments are also more in tune with a market-orientation perspective as they focus on consumer needs rather than simply macro-level socioeconomic or cultural variables. Second, as opposed to disaggregate consumer segmentation, the derived segments will be more accessible.¹¹

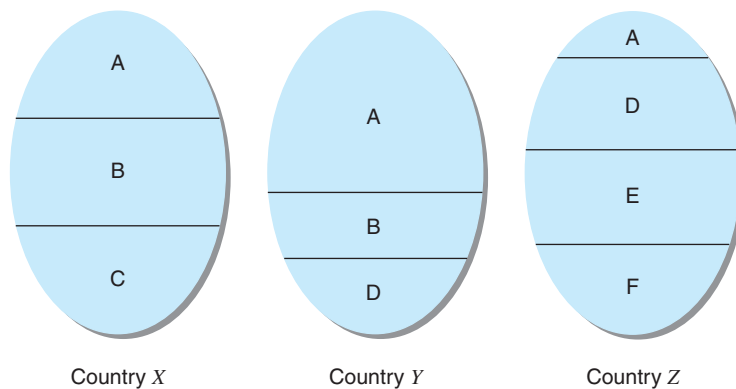
SEGMENTATION SCENARIOS



When a firm segments foreign markets, different scenarios may arise. A common phenomenon is illustrated in **Exhibit 7-4** where we have one universal segment (A) and the other segments are either unique to a particular country or exist in only two of the three countries. Note also that the size of the different segments varies depending on the country.

One possibility is that you uncover so-called **universal** or **global segments**. These are segments that transcend national boundaries. They are universal in the sense that customers belonging to such segments have common needs. Note that this segment could also be a universal niche. A *niche* is commonly defined as a more narrowly defined group of consumers who seek a very special bundle of benefits. Examples of possible universal segments that are emerging include the global youth, international

EXHIBIT 7-4
DIFFERENT SEGMENT SCENARIOS



¹¹There are other segmentation approaches that allow for cross-border segments with spatial contiguity. One interesting methodology is outlined in F. Ter Hofstede, M. Wedel, and J.-B.E.M. Steenkamp, "Identifying Spatial Segments in International Markets," *Marketing Science*, 21 (Spring 2002), pp. 160–77.

business travelers, and the global elite. One study done at Harvard University looked at consumers' attitudes toward global brands. Based on a survey done with 1,800 respondents in twelve countries the authors derived the following seven global segments:

- *Global climbers (23.3%)*. These people are extremely conscious of and attracted to brands that exude global status. They are unimpressed by brands that are linked with countries that have a strong quality reputation for specific products.
- *Civic libertarians (21.5%)*. This group puts heavy emphasis on social responsibility. They are not impressed by brands that are produced in countries with a high reputation in the product category.
- *Multinational fans (15.5%)*. This segment ranks highest on the influence of reputation and global status on brand preference.
- *Antiglobalists (13.1%)*. These people are strongly against brands that express American values and are very cynical about the ethics of companies that own global brands.
- *Global citizens (10.1%)*. This segment values social responsibility.
- *Global agnostics (7.6%)*. These consumers value global brands just as any other brand without using the global dimension as a cue.
- *Pro-West (7.6%)*. These people have a high esteem for American values. Their brand preferences are highly influenced by global status.¹²

How similar customer needs are clearly depends on the product category.¹³ Axe,¹⁴ Unilever's brand of male grooming products, shows how one company can successfully market its products to a global segment, in this case the global youth. To grab exposure among web-savvy young males worldwide, Unilever developed clever digital marketing ideas around the fragrance. For instance, Axe's marketing team created a series of online games and videos (<http://www.theaxeeffect.com/flash.html>) showing the "Axe effect"—women chasing men who used the deodorant.¹⁵ Redd's, a beer-like brand sold by SABMiller, is an example of a product that is targeted toward a universal segment. The brew, an "apple-infused malt beverage, with a citrus flavor," is aimed specifically at women, a segment that traditionally has been neglected by beer companies. Redd's is sold in packages of five or ten bottles, rather than six- or twelve-packs for typical beer brand. The packs are shaped like a woman's handbag. The brand was first introduced in South Africa and Eastern Europe and then also launched in Latin America.¹⁶

Commonality of consumer needs is high for high-tech consumer durables and travel-related products (e.g., credit cards, airlines). At the other end of the spectrum are food products, where customer needs tend to be very localized. Apart from global segments, you may also encounter **regional segments**. Here the similarity in customer needs and preferences exists at the regional level rather than globally. While differences in consumer needs exist among regions, there are similarities within the region.

With universal or regional segments, the firm still needs to decide the extent to which it wants to differentiate its marketing mix strategy. At one end of the spectrum, management can adopt an undifferentiated marketing strategy that offers a more or less uniform package world or region wide. An undifferentiated marketing strategy allows the firm to capitalize on scale economies. To a large extent, this is a strategy that suits high-tech companies. For instance, the corporate advertising director of Microsoft remarked in a forum: "The character of the [Microsoft] product is universal.

¹²Douglas B. Holt, John A. Quelch, and Earl L. Taylor, "Managing the Global Brand. A Typology of Consumer Perceptions," in *The Global Market*, eds. John Quelch and Rohit Deshpande. (Boston, MA: Harvard Business School Press, 2004), pp. 180–201.

¹³George S. Yip, *Total Global Strategy* (Englewood Cliffs, NJ: Prentice Hall, 1995), pp. 30–32.

¹⁴The brand is named Lynx in Australia, Ireland, New Zealand, and the United Kingdom.

¹⁵"Children of the Web," *Business Week*, July 2, 2007, pp. 51–58.

¹⁶"Five-packs for Latinas," *International Herald Tribune*, October 15, 2007, pp. 12–13.

Technology is an English-based thing, so there's a lot of willingness to embrace Western companies."¹⁷ At the other end of the spectrum are firms that tailor their marketing strategy to local markets. Although consumer needs and preferences may be similar, differentiation of positioning and other marketing mix elements might be necessary to cope with variations in local market conditions. A differentiated strategy allows the company to stay better in tune with the local market and to be more flexible.

Unique (diverse) segments are the norm when gaps in cross-country customer needs and preferences are so substantial that it becomes very hard to derive meaningful cross-border segments. Under such a scenario, marketing mix programs must be localized to meet local consumer needs. Rather than going after one common cross-border segment, management picks the most attractive target markets in each individual market. A case in point is the Canon AE-1 camera. When Canon launched this camera, it developed three different marketing programs: one for Japan, one for the United States, and one for Europe. In Japan, Canon targeted young replacement buyers. In the United States, it concentrated on upscale, first-time buyers of 35mm single-lens reflex cameras. In Germany, Canon focused on older and technologically more sophisticated replacement buyers.¹⁸ Jack Daniel's, the Tennessee-based whiskey brand, also pursues diverse target markets. In Australia and New Zealand, the beverage brand pursues young, hip, social drinkers. In China, where a bottle of Jack Daniel's costs \$30 or more—double its U.S. price—the target is the 30- to 40-year old urban professional who earns \$1,000 a month working for a joint-venture company.¹⁹

In most instances, there is a mixture of universal, regional, and country-specific market segments. One final comment to be made here is that markets differ a great deal in terms of their degree of segmentation. Gaps in the degree of segmentation are most visible when contrasting the market structure in a developed country with the one in an emerging market. For most consumer goods, the market structure for a category in the emerging market is often pretty unsophisticated: premium versus economy. Developed countries, on the other hand, have typically many more segments and niches. This is to a large extent due to differences in the degree of market development. Early on in the product life cycle, the market is still relatively undersegmented. As consumers grow more sophisticated and demanding and as the category develops, new segments and niches emerge.

BASES FOR INTERNATIONAL MARKET SEGMENTATION



The first step in doing international market segmentation is deciding which criteria to use in the task. Just as in a domestic marketing context, the marketing analyst faces an embarrassment of riches. Literally hundreds of country characteristics could be used as inputs. In a sense, you can pick and choose the variables that you want. However, for the segmentation to be meaningful, the market segments and the response variable(s) the company is interested in should have a linkage. Usually it is not a trivial exercise to figure out a priori which of the variables will contribute to the segmentation. Instead, the marketing analyst will need to do some experimentation to find a proper set of segmentation variables. Furthermore, information on several segmentation criteria is typically missing, inaccurate, or outdated for some of the countries to be segmented.

We now briefly discuss different types of country variables that are most commonly used for country segmentation purposes. Most of these criteria can be used for the two segmentation approaches that we discussed earlier. For instance, one could use a

¹⁷“U.S. Multinationals,” *Advertising Age International* (June 1999), p. 41.

¹⁸Hiroataka Takeuchi and Michael E. Porter, “Three Roles of International Marketing in Global Strategy,” in *Competition in Global Industries*, ed. M. E. Porter (Boston, Mass.: Harvard Business School Press, 1986), pp. 139–40.

¹⁹“Jack Daniel's goes down smooth in Australia, New Zealand, China,” *Ad Age International* (September 1997), pp. i38–i39.

socioeconomic variable such as per-capita income as a segmentation base to group countries. However, one could also use the income dimension to segment consumers within country first and then derive regional or global segments (e.g., pan-Asian middle class).

Demographics

Demographic variables are among the most popular segmentation criteria. One reason for their popularity is that they are very easy to measure (recall the “measurability” requirement for effective market segmentation). Moreover, information on population variables is mostly reasonably accurate and readily available.

As part of its 2007 Global HABIT study, Hakuhodo, one of Japan’s largest ad agencies, conducted a segmentation study of Asian women. The study revealed five distinct clusters (the percentages indicate the share of each segment of the entire sample):

1. *Socially conscious* (8.2%). These women tend to be autonomous and community oriented, active at both home and work, and aspire to make a meaningful contribution to the betterment of society. Family and work are both important. Most common in Hong Kong.
2. *My small world* (26.3%). What is important for women in this cluster are relationships with family and others close to them. Their attitudes are conservative; they prefer traditional gender roles. A happy family is the primary goal. Most common in Manila and Jakarta.
3. *Happy as I am* (26.0%). These women are satisfied with their life; they want enough money to maintain their current lifestyle. They like taking it easy but worry a little about how other people see them. Most common in Shanghai, Seoul, and Bangkok.
4. *I want more* (26.2%). To these women life enjoying life matters more than work. Loving newness and fun, they want a stylish lifestyle. They like to try new things. Fashion is a way of expressing themselves. Very common in Taipei and Hong Kong.
5. *Look at me* (13.2%). These women are status hungry. They want to be the center of attention. They are ambitious, concerned about their appearance, and want to be seen as leaders. Most common in Mumbai and Seoul.

Exhibit 7-5 shows the clusters for three of the cities where the study was run.

One segment that marketers often overlook is the elderly. In industrialized countries, the over-60 age segment is expected to rise to a third of the population (over two-fifths in Japan) from 20 percent now. Many of these people are more prosperous and healthier than ever before. Countries with an aging population clearly offer market opportunities for consumer goods and services that cater to the elderly. To gain a foothold within this target market, it is critical to understand the subtleties of marketing to the over-60 group, especially in youth-obsessed cultures. Gerber’s launch of a baby-food like product line called Senior Citizen proved to be a failure because older shoppers have no desire to vividly show their age.²⁰ Unilever’s low-fat pro.activ sub-brand margarine spread,²¹ however, was a major success. The pro.activ addresses the need for a heart-friendly margarine among aging consumers. Pro.activ was proven to lower cholesterol levels. As a result, Unilever was able to establish agreements with insurance companies in France and the Netherlands to offer discounts to their insurance customers for consuming pro.activ products.²²

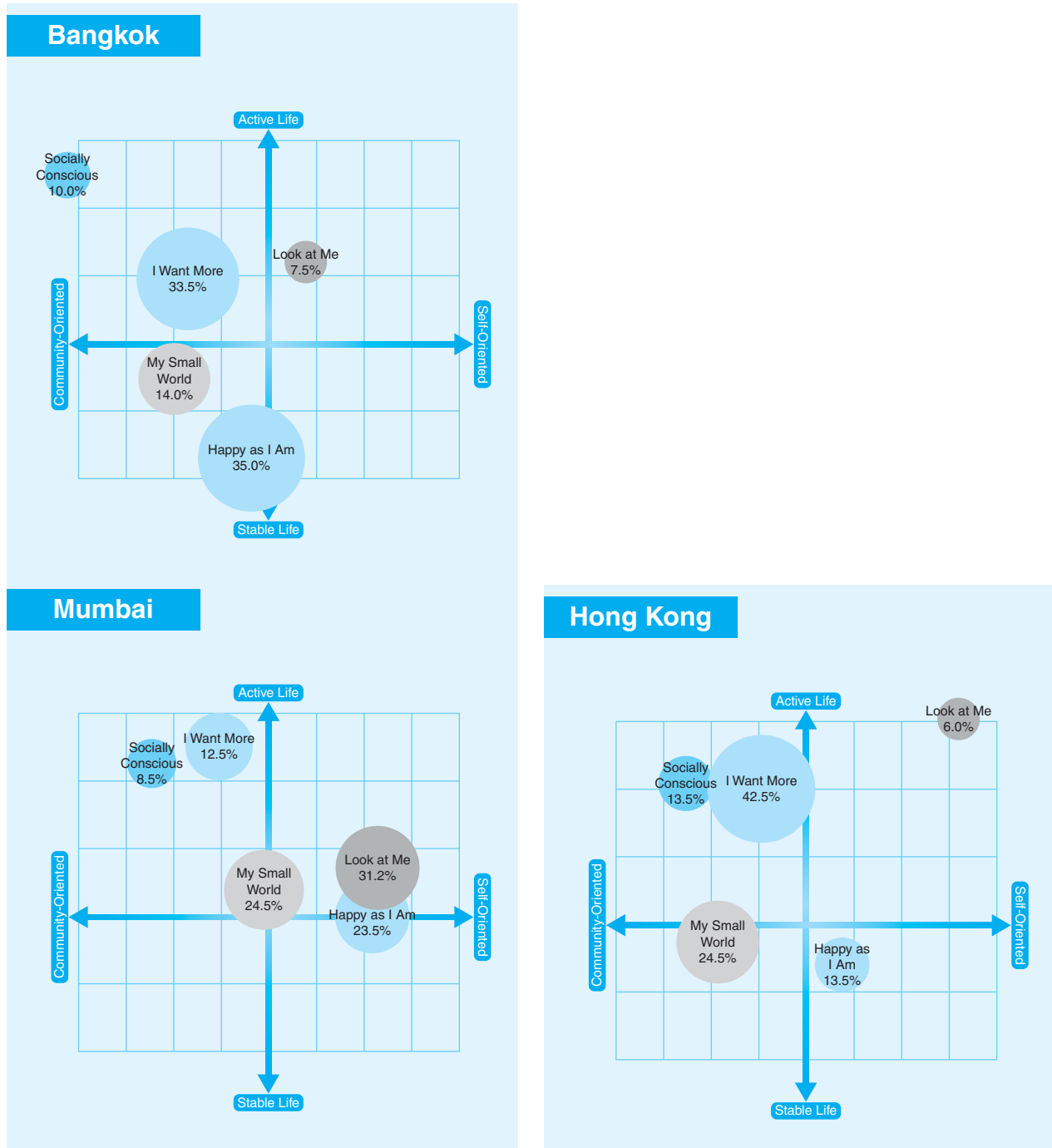
By the same token, countries with high birth rates have similar buying patterns. Examples of goods and services with high potential in such countries include baby food

²⁰“Over 60 and Overlooked,” *The Economist* (August 10, 2002), pp. 51–52.

²¹Pro-activ is a sub-brand of Unilever’s Becel/Flora margarine brand. In the United States the product is sold under the Promise brand name.

²²<http://www.functionalingredientmag.com/ASP/articleLoader.asp?catId=404&path=D:\vol\NewHope\FFN\Live\FFNSite\Content\Issue\51\887.html&strSource=>

EXHIBIT 7-5
MARKET SEGMENTATION OF ASIAN WOMEN



Source: Hakuodo Global HABIT 2008 Survey

and clothing, toys, prenatal care services, and birth-control devices. **Global Perspective 7-1** discusses how the Ford targets young, single women in China with the new Fiesta.

Satellite photos taken of the European continent at night show a blue curve of light that stretches from Manchester, Britain, through the Rhineland down to northern Italy. French journalists labeled this area the *blue banana* (“banane bleue”). It has the largest

Socioeconomic Variables



GLOBAL PERSPECTIVE 7-1

FORD FIESTA IN CHINA—TARGETING “MEI” OR YOUNG, SINGLE, SPIRITED, URBAN WOMEN

Critical to the success of the Ford’s marketing strategy in China is “Mei” (meaning beautiful in Chinese). Mei represents the twenty-something, single urban, college-educated female, who earns \$880 to \$1,500 a month and plans to buy her first car. This is Ford’s target market for the rollout of the new Fiesta in China. China’s car market is the second biggest in the world (behind the United States). Yet, although passenger-vehicle sales rose almost 7 percent in 2008, sales of Ford brand cars dropped 10 percent. Ford hopes that the new Fiesta will halt the sales decline.

The new Ford Fiesta is the first of Ford’s global car strategy that centers on the idea of selling car models worldwide in order to save on development costs and gain economies of scale. The new model was first revealed at the 2008 Geneva car show. Ford planned to launch the car first in Asia in 2009, then in Europe, and ultimately in North America. The new Fiesta has the same size as the old small-car Fiesta that was sold in

Source: “Ford’s Fortunes in China Depend on ‘Mei,’” *The Wall Street Journal Asia*, February 10, 2009, p. 16 and “2009 Ford Fiesta—Auto Shows,” www.caranddriver.com, accessed on February 10, 2009.

Europe but it is lighter and more environmentally friendly with its high-fuel efficiency.

To prepare for the launch of the Fiesta in China, Ford ran an “immersion event” that was designed to put senior Ford and ad agency executives in touch with the Mei target customers. During the event, these executives spent one afternoon with fifteen women in the Fiesta age group to get insights into their lives, attitudes, and goals. All of the women spent a lot of time on the internet.

Guided by the research findings, Ford developed an ad campaign to connect with its prospects that started in March 2009. The campaign centered on lifestyle magazines and the internet, with emphasis on social networking sites. The ads aspired to be edgy without being offensive. The ads featured attractive men and women, bright colors and hip music. A second campaign targeting Mei’s parents focused on the Fiesta’s safety.

The research also underlined differences between Chinese and European consumers: Chinese car buyers want more options so that they can personalize their vehicles. As a result, Ford decided to offer four color combinations on the Fiesta in China, compared to just two in Europe.

concentration of big cities worldwide, the densest commercial traffic, and the highest production capacity per square kilometer.²³ The region creates tremendous market opportunities to marketers of luxury goods (e.g., LVMH, BMW), high-end services (e.g., resorts, internet access, mutual funds), and leisure-activity-related goods.

Consumption patterns for many goods and services are largely driven by the consumer wealth or the country’s level of economic development in general. Consumers from countries at the same stage of economic development often show similar needs in terms of the per capita amount and types of goods they desire. Not surprisingly, many consumer good marketers view per capita income or a comparable measure as one of the key criteria in grouping international markets. The usual caveats in using per capita income as an economic development indicator apply also when this measure is used for country segmentation.²⁴

- *Monetization of transactions within a country.* To compare measures such as per-capita GNP across countries, figures based on a local currency need to be translated into a common currency (e.g., the U.S. dollar or the euro). However, official exchange rates seldom reflect the true buying power of a currency. So, income figures based on GNP or GDP do not really tell you how much a household in a given country is able to buy.
- *Gray and black sectors of the economy.* National income figures only record transactions that arise in the legitimate sector of a country’s economy. Many countries have a sizable *gray* sector, consisting of largely untaxed (or under-taxed) exchanges that often involve barter transactions. In cities in the developing world, many professors make ends

²³<http://www.msnbc.com/news/844728.asp>.

²⁴Vern Terpstra and Kenneth David, *The Cultural Environment of International Business*, Cincinnati, OH: South-Western Publishing Co., 1991.

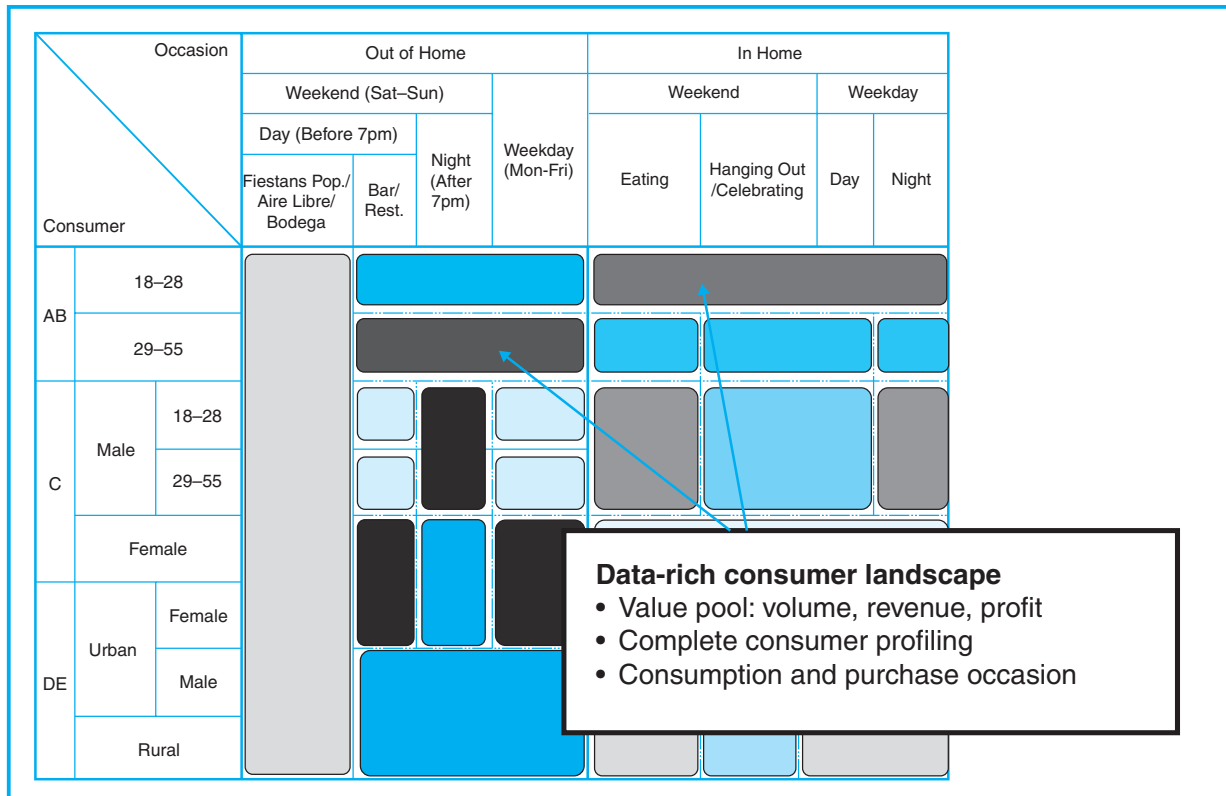
meet by driving a taxi. In exchange for a dental checkup, a television repairman might fix the dentist’s television set. Many communities also thrive on a substantial *black* sector, involving transactions that are outright illegal. Examples of such activities include the drug trade, smuggling, racketeering, gambling, and prostitution.

- *Income disparities.* Quantities such as the per capita GNP only tell part of the story. Such measures are misleading in countries with wide income inequalities such as Bolivia where the richest 10 percent of the population gets 47 percent share of the country’s income, while the poorest 10 percent gets a mere 0.3 percent.²⁵

To protect against these shortcomings of standard “per-capita income” segmentation exercises, marketers can employ other metrics to group consumers in terms of their buying power.²⁶ One alternative is to use the PPP (purchasing power parity) as a criterion. PPP reflects how much a household in each country has to spend (in U.S. dollars equivalent) to buy a standard basket of goods. PPP estimates can be found in the *World Bank Atlas* published annually by the World Bank and in the *CIA World Factbook*, which is also accessible online (<http://www.cia.gov/cia/publications/factbook/>).

Another alternative to analyze buying power in a set of countries is via a **socio-economic strata (SES) analysis**. For instance, Strategy Research Corporation applied an SES-analysis for Latin American households using measures like the number of consumer durables in the household, education level. Each country was stratified into five socio-economic segments, each one designated with a letter: upper class (A), middle-to-upper class (B), middle-class (C), lower class (D), and poverty level (E). **Exhibit 7-6** shows how

EXHIBIT 7-6
SABMILLER’S MARKET SEGMENTATION OF PERU’S BEER MARKET



Source: SABMiller

²⁵<https://www.cia.gov/library/publications/the-world-factbook/>, accessed on January 26, 2009.

²⁶Chip Walker, “The Global Middle Class,” *American Demographics*, September 1995, pp. 40–46.

SABMiller, one of the world's biggest beer brewers, uses SES analysis to segment the beer market in Peru.

Other schemes broaden the notion of a country's level of development by going beyond standard of living measures. One popular classification schema is based on the Human Development Index (HDI), which is released every year by the United Nations (see <http://hdr.undp.org/en/>). It covers 177 UN member countries and territories. HDI widens the notion of economic development by looking at a country's achievements in three areas: life expectancy at birth (a long and healthy life), knowledge (e.g., adult literacy), and a decent standard of living (per capita in PPP). The 2007/08 report classified 70 countries as having achieved a high level of economic development (HDI of 0.80 or above), 85 as medium (HDI of 0.5-0.799), and 22 as low (HDI of less than 0.50). The highest scorers were Norway (HDI of 0.968), Iceland (0.968),²⁷ and Australia (0.962). At the bottom of the table were Guinea-Bissau (0.374), Burkina Faso (0.370), and Sierra Leone (0.336).²⁸

Behavior-Based Segmentation

As with domestic marketing, segments can also be formed based on behavioral response variables. Behavioral segmentation criteria include degree of brand/supplier loyalty, usage rate (based on per capita consumption), product penetration (that is, the percentage of the target market that uses the product or the brand), and benefits sought after. Just as in domestic marketing, benefit segmentation is often used in global marketing for product positioning, product design or product adaptation purposes. While benefit segments overlap different countries, their relative size often differs in each market. **Exhibit 7-7** shows the proportionate size and growth rate of benefit segments in the toothpaste category in three countries: the United States, Mexico, and China.

EXHIBIT 7-7
BENEFIT SEGMENTS OF TOOTHPASTE MARKET IN THE USA,
CHINA, AND MEXICO

	<i>Value</i>	<i>%</i>	<i>Value</i>	<i>%</i>	<i>Value</i>	<i>%</i>
	<i>Share</i>	<i>Change</i>	<i>Share</i>	<i>Change</i>	<i>Share</i>	<i>Change</i>
	<i>USA</i>	<i>USA</i>	<i>China</i>	<i>China</i>	<i>Mexico</i>	<i>Mexico</i>
	<i>2004</i>	<i>vs. 2000</i>	<i>2004</i>	<i>vs. 2000</i>	<i>2004</i>	<i>vs. 2000</i>
Family Anti-Cavity	18.3%	-22.7	28.5%	-29.8	64.8%	-1.9
Kids Anti-Cavity	3.7	-0.1	0.6	+0.5	1.2	+0.1
Premium	18.8	+1.5	2.2	-1.1	12.1	+1.5
Multi-Benefitx						
Sensitivity Relief	7.7	+1.0	0.4	-8.5	3.3	-0.9
Herbal/Natural	1.9	+1.9	15.8	+10.1	2.0	+2.0
TOTAL	53.4	-19.3	82.9	-6.4	87.3	+2.6
THERAPEUTIC						
Whitening	30.3	+16.4	8.9	+3.8	2.7	-2.2
Freshening	16.3	+2.9	8.2	+2.6	10.0	-0.4
TOTAL	46.4	+19.3	17.1	+6.4	12.7	-2.6
COSMETIC						
TOTAL MARKET	100.0		100.0		100.0	

Source: Compiled from Exhibits 2B, 7A, and 14 in John A. Quelch and Jacquie Labatt-Randle, "Colgate Max Fresh: Global Brand Roll-Out," Harvard Business School Case Study, 9-508-009, 2007.

²⁷Given that Iceland's economy tanked in 2008 the next listing will probably show a much lower HDI.

²⁸In fact, all of the low-HDI countries were African.

Lifestyle

Marketers can group consumers according to their lifestyle (i.e., their attitudes, opinions, and core values). Lifestyle (psychographic) segmentation is especially popular in advertising circles. Many lifestyle segmentation schemes are very general and not related to a specific product category. Others are derived for a specific product or service area. Distinctions can also be made between whether a given typology was prepared for a specific country or a given region.

An example of the general-type lifestyle segmentation approach is GfK Roper Consulting's *Valuescope* model. Each year, the market research company conducts 30,000 interviews around the world to monitor consumer values. Based on the responses, Valuescope identified seven values segments:

1. *Achievers* place high importance on obtaining and showing social status. They put their own interests ahead of others'.
2. *Traditionals* believe that their inherited way of life is the best and does not need any changes. Religious beliefs and cultural traditions rule their lives.
3. *Survivors* try to always give their best effort while being modest. They are not looking for a lot of money, just enough to eke out a living. They want to keep their life as simple and uncluttered as possible.
4. *Nurturers* place high value on maintaining long-term commitment to friends and family. In building relationships with friends and relatives, they find it important to be sincere and to have integrity.
5. *Hedonists* need instant gratification. They are always looking for new experiences. They need to feel young and want to have a good time.
6. *Socialrationals* view the world as a large and diverse place where differences should be respected. They value open-mindedness and try to save the world because they feel it is sensible to do so.
7. *Self-directeds* value freedom of action and thought so they can choose their own goals and achieve them.²⁹

Lifestyle segmentation has been applied for the positioning of new brands, repositioning of existing ones, identifying new product opportunities, and developing brand personalities.³⁰ Practitioners and academics alike have raised concerns about the use of lifestyle segmentation:

- Values are too general to relate to consumption patterns or brand choice behavior within a specific product category. As a result, lifestyle segmentation is not very useful as a tool to make predictions about consumers' buying responsiveness. Obviously, this criticism only applies to the general value schemes.
- Value-based segmentation schemes are not always "actionable." Remember that one of the requirements for effective segmentation is actionability. Lifestyle groupings do not offer much guidance in terms of what marketing actions should be taken. Also, many of the typologies have too many different types to be useful for practical purposes.
- Value segments are not stable because values typically change over time.
- Their international applicability is quite limited because lifestyles, even within the same region, often vary from country to country.³¹

Aside from the criteria discussed here, many other dimensions could form the basis for segmentation. The proper criteria largely depend on the nature of the product and the objectives of the segmentation exercise.

²⁹<http://www.gfknop.com/customresearch-uk/expertise/consumertrends/valuescope/index.en.html>.

³⁰Marieke de Mooij, *Advertising Worldwide*, 2nd edition, Prentice Hall, 1994.

³¹Peter Sampson, "People are People the World over: The Case for Psychological Market Segmentation," *Marketing and Research Today*, November 1992, pp. 236–44.

INTERNATIONAL POSITIONING STRATEGIES

Segmenting international markets is only part of the game. Once the multinational company has segmented its foreign markets, the firm needs to decide which target markets to pursue and what positioning strategy to use to appeal to the chosen segments. Some marketing scholars refer to positioning as the fifth *P* in the marketing mix in addition to product, price, promotion, and place. Developing a positioning theme involves the quest for a unique selling proposition (USP). In the global marketing scene, the positioning question boils down to a battle for the mind of your target customers, located not only within a certain country but also in some cases across the globe. The global positioning statement for the American beer brand Budweiser is shown in **Exhibit 7-8**. The formulation of a positioning strategy—be it local or global—moves along a sequence of steps:

1. Identify a relevant set of competing products or brands. What is the competitive frame?
2. Determine current perceptions held by consumers about your product/brand and the competition.
3. Develop possible positioning themes.
4. Screen the positioning alternatives and select the most appealing one.
5. Develop a marketing mix strategy that will implement the chosen positioning strategy.
6. Over time, monitor the effectiveness of your positioning strategy. If it is not working, check whether its failure is due to bad execution or an ill-conceived strategy.

Uniform versus Localized Positioning Strategies

Obviously, for global marketers, a key question is to what degree a uniform positioning strategy can be used. Clearly, one key driver here is the target market decision. Roughly speaking, MNCs have two choices: target a universal segment across countries or pursue different segments in the different markets. When focusing on a uniform segment, management needs to decide whether to use the same positioning worldwide or positioning themes that are tailored to individual markets. If the firm decides to opt for different segments on a country-by-country basis, the norm is to customize also the positioning appeals. **Exhibit 7-9** gives an overview of the different strategic options.

When target customers are very similar worldwide, sharing common core values and showing similar buying patterns, a uniform positioning strategy will probably work. By adopting a common positioning theme, the company can project a shared, consistent brand or corporate image worldwide. The need to have a consistent image is especially urgent for brands that have worldwide exposure and visibility. A few years ago, Samsung, a major South Korean consumer electronics manufacturer, announced its

EXHIBIT 7-8 BUDWEISER GLOBAL POSITIONING

Budweiser maintains its leadership positioning in the global beer industry by consistently being a brand that is:

- Refreshingly different from local brands, with its clean, crisp taste and high drinkability;
- A premium-quality beer, made using an all-natural process and ingredients;
- Global in stature, representing heritage, quality, and U.S. roots;
- Well-known as a world-class sponsor of sports and entertainment events;
- The world's best-selling beer.

Source: www.anheuser-busch.com

EXHIBIT 7-9
GLOBAL POSITIONING AND SEGMENTATION
STRATEGIES

	Universal Segment	Different Segments (case-by-case)
Uniform Positioning Strategy	①	②
Different Positioning Strategies	③	④

intent to obtain the world number-one position in all its main product markets by 2005. To achieve this goal, it positioned its brand as being at the leading edge of digital technology, using an aggressive advertising campaign and developing a whole range of nifty, digital products (e.g., interactive televisions, DVD players, third-generation mobile phones).³² Having the same positioning theme also enables the firm to make use of global media. Samsung, for instance, sponsors highly visible, global sports events such as the 2008 Summer Beijing Olympics and teams such as Chelsea FC, a top tier English soccer team.

Many firms position a brand that is *mainstream* in its home market as a premium brand in their overseas markets, thereby targeting a narrower segment that is willing to pay a premium for imports. By moving upscale in the host country, the company can support the higher costs of doing business there. A case in point is Pizza Hut. In the United States, Pizza Hut is a fading fast-food brand. In China and other overseas markets, however, Pizza Hut has found a new life as a fashionable casual-dining restaurant. Pizza Hut was the first restaurant chain to introduce pizza in China in 1990.³³ Yum! China, the owner of Pizza Hut, now has more than 500 restaurants in China and is still growing there.³⁴ Likewise, Burberry's, the British clothing brand, has lost some of its cachet in Britain especially after it became the outfit of choice for soccer hooligans and "chavs."³⁵ Yet, in spite of its woes in the home market, Burberry's has been able to maintain an upscale image in Asia. Other examples of brands that are mainstream in their home market but have a premium image in the international marketplace are Heineken, Levi's, and Budweiser. This strategy is especially effective in product categories where the local brands already are very well entrenched (like beer in most countries) and imported brands have a potential to leverage the cachet of being "imported." Local brands usually enjoy a pioneering advantage by the fact of being the first one in the market. Therefore, instead of competing head-on with the local competition, foreign brands (despite the fact that they are a mainstream brand in their home market) are mostly better off by targeting the upscale segment. Though smaller in numbers, this segment is willing to pay a substantial premium price. Note that

³²"Koreans Aim to Create a Sharp Image," *Financial Times* (December 28, 2001), p. 14.

³³"Brands: Moving Overseas to Move Upmarket," *Business Week*, published September 18, 2008, http://www.businessweek.com/magazine/content/08_39/b4101060110428.htm?chan=magazine+channel_special+report, accessed October 31, 2008.

³⁴<http://www.yum.com/about/china.asp>, accessed on October 31, 2008.

³⁵"Chavs" refers to an underclass of British society known for its aggressive and vulgar behavior, similar to "white trash" in the United States; <http://en.wikipedia.org/wiki/Chav>, accessed October 31, 2008. Note that their Burberry's gear is usually counterfeit.



GLOBAL PERSPECTIVE 7-2

SELLING THE ENERGY DRINK THAT GIVES YOU WINGS

Dietrich Mateschitz discovered Red Bull, the infamous energy drink, in Bangkok when he was marketing director for Blendax, a German toothpaste brand. Every time he was on his way from the airport in Bangkok he would buy a bottle: “One glass and the jet lag was gone.” In fact, he loved the product so much that in 1984 he joined forces with two Thai partners, a father-and-son team, to turn the product into a global brand. They tinkered with the tonic’s formula, carbonated it, and translated the Thai words *Krating Daeng* into English—Red Bull. The ingredients: taurine, an amino acid; glucuronolactone, a substance found in the body; and caffeine. The brew went on sale in Austria, Mr. Mateschitz’ home country, in 1987. Red Bull was launched in Germany in 1994 and in the United Kingdom in 1993. By 2002, Red Bull had become a global cult drink selling 1.6 billion cans in 62 countries.

Initially, nightclubs and discos were not very keen on taking on the product. Instead, Mr. Mateschitz relied on traditional retail outlets and gas stations. Little by little, Red Bull gained a following among extreme sports enthusiasts, such as snowboarders and windsurfers, because of its alleged potency. Red Bull cultivates an image of being a tonic that makes old-age soft drinks look tame by comparison. According to some critics its potency is so big that it might in fact be dangerous. In the Swedish press, three deaths were linked to the consumption of Red Bull. In fact, France and Denmark do not allow the brand to be sold.

Sources: “Selling Energy,” *The Economist* (May 11, 2002), p. 62; “Red Bull Rethinks Brand Image for Asia,” *Media* (October 18, 2002), p. 26; “Extreme Sports and Clubbers Fuel Energetic Rise,” *Financial Times* (November 23, 2001), p. 10; “Red Bull Puts Cash on Lifting Category,” *Media* (October 4, 2002), p. 1.

Red Bull reinforces its edgy image by sponsoring extreme sports (e.g., a mountain-bike race down a German salt mine) and the Arrows Formula One (F1) team. The F1 sponsorship also gives Red Bull global exposure. To a large degree Red Bull’s success is due to the consistent image that has been nurtured over the years through clever marketing activities. Since its launch in Austria, Red Bull has used the same communication strategy and the same tone of voice. It is touted as “the energy drink that gives you wings.” Red Bull has largely ignored mass marketing. The only advertising is a series of whimsical TV cartoons. Instead Red Bull relies a great deal on event marketing and sponsorships. For instance, the company sponsors an annual *Flugtag*, where contestants build their own flying machines and leap off a parapet.

In most Western countries, Red Bull is pitched at nightclub goers who mix the tonic with alcohol, giving users the energy to party through the night. In several Asian countries, though, a different imaging strategy is needed. For starters, it is sold in a bottle, rather than a can—to tout a health drink image. In Malaysia, the majority of the population is Muslim. Hence, a bar focus would be unacceptable. Instead, the goal is to project Red Bull as an energy drink that can be consumed on its own. Just as in the West, sports sponsorship is a key activity although the focus is on more traditional motor sports such as motorcycle races and 4-wheel drive competitions. Target audiences include students, drivers, and athletes, with the main distribution channel being convenience stores. In Thailand, the home of the original Red Bull recipe, a new Red Bull product was created to differentiate between two distinct target markets. The original tonic is promoted as a pick-me-up for taxi drivers and blue-collar workers. Red Bull Extra, the new line extension, targets trendy teens and bar-goers. To capture their imagination, the brand uses sponsorships of extreme sports events and concerts.

such positioning strategies are not always successful. Gap, the U.S. casual clothing brand, failed to reinvent itself as a premium brand in Germany. Consumers’ image of the brand may also deteriorate over time. A good example is the experience of General Motors China. Initially, GM China was pretty successful in positioning the Buick brand as a prestigious car in China even though the car marque had a dismal reputation in the United States. However, lately, Buick’s esteem has dropped in the mind of Chinese car buyers. **Global Perspective 7-2** highlights some of the positioning customizations that were made for the energy drink Red Bull.

While a uniform positioning theme may be desirable, it is often very hard to come up with a good positioning theme that appeals in various markets. Universal themes often run the risk of being bland and not very inspired. Very rarely do positioning themes “travel.” Instead, management usually modifies or localizes them. Appeals that work in one culture do not necessarily work in others. Differences in cultural characteristics, buying power, competitive climate, and the product life cycle stage force firms to tailor their positioning platform. Land Rover is an example of a brand where a global

positioning strategy is hard to implement.³⁶ One of the core brand values that Land Rover has cultivated over the years in Europe is “authenticity.” This core value is based on Land Rover’s heritage of fifty-plus years as a 4 × 4-brand in Europe. The North American market, which Land Rover only entered in the 1980s, presents a different picture. There, Jeep, the Chrysler 4 × 4-brand, is perceived as the authentic, original four-wheel drive vehicle. Hence, Land Rover would have a formidable task creating the same image of “authenticity” in North America as it successfully did in Europe.

Universal positioning appeals are positioning themes that appeal to consumers anywhere in the world, regardless of their cultural background. Remember that positioning themes can be developed at different levels:

- Specific product features/attributes
- Product benefits (rational or emotional), solutions for problems
- User category
- User application
- Heritage
- Lifestyle

Products that offer benefits or features that are universally important would meet the criterion of a universal benefit/feature positioning appeal. In business-to-business markets, where buying behavior is often somewhat less culture-bound than for consumer goods, this is often true. Thus, a promise of superior quality, performance, or productivity for industrial products is one example of a positioning pitch with a universal ring. Benefit- or feature-based positioning can be universal for consumer goods when the core benefit is common worldwide. Superior quality or performance appeals for durables like television sets (superior picture quality), washing machines (cleaning performance), and so forth. However, for products where buying motivations are very culture-bound (for instance, most food and beverage products), coming up with a universal benefit- or feature-related appeal is a much harder task.

A special case where universal positioning clearly makes sense is the “global citizen” theme often used with corporate image strategies. Here the positioning strategy stresses a global leadership and/or global presence benefit. This strategy is often successfully used in industries where having a global presence is a major plus (e.g., credit cards, banking, insurance, telecommunications). **Global Perspective 7-3** discusses Swiss banking firm UBS’s universal positioning “You and Us” campaign.

When positioning the product to a specific user category, a uniform approach will often succeed when the user-group shares common characteristics. Avon’s “Let’s Talk” campaign attests to this rule. The campaign, launched in 26 countries in 2000, was designed to reflect Avon’s corporate mission of being a “company for women.” To project this positioning, the global campaign highlighted Avon’s wide range of beauty products and the company’s unique network of 2.8 million sales reps, which facilitates one-on-one customer relationships.³⁷ Likewise, the global positioning used by Kotex, Kimberly-Clark’s feminine protection pad brand, turned out to be highly effective in leveraging a common need among the global women segment. Kotex was positioned as the brand “that is designed to fit and feel better for your body, to help you feel better, more like yourself.”³⁸ Examples where uniform positioning is likely to be futile are appeals that center on the “liberated women” group (e.g., Virginia Slims cigarettes: “You’ve come a long way, baby”), which is still a very culture-bound phenomenon.

Emotional appeals (e.g., lifestyle positioning) are usually difficult to translate into a universal theme. Values tend to be very culture bound. The trick is to come up with an

³⁶Nick Bull and Martin Oxley, “The search for focus—brand values across Europe,” *Marketing and Research Today* (November 1996), pp. 239–47.

³⁷“Avon ‘Talks’ Globally to Women,” *Ad Age Global* (October 2001), p. 43.

³⁸“Kotex Wins a Game of Catch-Up,” *Ad Age Global* (October 2001), p. 43.

Universal Positioning Appeals



GLOBAL PERSPECTIVE 7-3

UBS—THE CONCEPT OF “TWO-NESS”

The wealth management group UBS was formed in 1998 by the merger of two major Swiss banks. It has expanded globally often through acquisitions (e.g., Paine Webber and Warburg in the United States) and now maintains a presence in over fifty countries. Brands that grow by acquiring existing firms face the task of establishing a clear brand identity both internally (employees) and externally (customers). In February 2004, UBS set out to establish a single consistent brand identity across all markets. This led to the “You and Us” advertising campaign. The campaign has two major targets: the high net-worth individual and corporate customers. The focus is the intimacy and strength of UBS’s client relationships, backed by the bank’s resources. Bernhard Egli, head of brand management at UBS, noted: “What we found during research is that there’s a lot of similarity in terms of the expectations that our client segments have for their preferred financial services

provider, which made it possible for us to move to a single brand. The underlying brand promise works across the globe; the challenge is to find the right execution.”

A key task to deliver the universal positioning for the campaign was finding a tagline with global appeal that conveyed UBS’s identity. After conducting market research, UBS decided to leave the You and Us tagline in English. “In the attempt to translate the tagline in English, what we have found is that you are losing the simplicity and, to a certain extent, the charm of the tagline,” observed Egli. To underscore the positioning theme, the campaign used images of “two-ness”—two chairs, two cups of coffee, two people, and so on. These images symbolized the intimate relationship between the client and the UBS advisor. To cast actors for the campaign, people were chosen in pairs rather than individually. Background images—skyscrapers, offices—were chosen to reinforce the message that a UBS advisor has the support of a large, powerful institution that can mobilize global resource on behalf of the customer.

Sources: <http://www.ubs.com/1/e/about/brand.html> and http://www.brandchannel.com/features_effect.asp?pf_id=273.

emotional appeal that has universal characteristics and—at the same time—does not sound dull. One lifestyle survey found that “protecting the family” was seen as a top value in twenty-two countries, including the United States.³⁹ So, appeals based on family values might be prospective candidates.

GLOBAL, FOREIGN, AND LOCAL CONSUMER CULTURE POSITIONING⁴⁰

Brand managers can position their brand as symbolic of a global consumer culture, a “foreign” culture, or a local culture. The first strategy can be described as **global consumer culture positioning** (GCCP). This strategy tries to project the brand as a symbol of a given global consumer culture. Thereby, buying the brand reinforces the consumer’s feeling of being part of a global segment. It also fosters the buyer’s self-image as being cosmopolitan, modern, and knowledgeable. Examples of brands that successfully use this strategy are Sony (“My First Sony”) and Nike (“Just Do It”).

At the other extreme is the **local consumer culture positioning** (LCCP) strategy. Despite the fact that the brand may be global, it is portrayed as an intrinsic part of the local culture. It is depicted as being consumed by local people, and, if applicable, manufactured by locals using local supplies or ingredients. Such brands have achieved a **multi-local status**. A good example is Singer, the maker of sewing

³⁹Tom Miller, “Global segments from ‘Strivers’ to ‘Creatives,’” *Marketing News* (July 20, 1998), p. 11.

⁴⁰Based on Dana L. Alden, Jan-Benedict E.M. Steenkamp, and Rajeev Batra, “Brand Positioning Through Advertising in Asia, North America, and Europe: The Role of Global Consumer Culture,” *Journal of Marketing*, 63 (January 1999), pp. 75–87.

machines. Singer was seen as German in Germany, British in the UK, and American in the United States. In fact, during World War II, German aviators avoided bombing Singer's European factories thinking they were German-owned.⁴¹ When Mercedes launched its mid-price E-class model in Japan, its ad campaign used Japanese scenery and images. The local imagery was underscored with the tagline: "Mercedes and a beautiful country."⁴²

A third strategy is **foreign consumer culture positioning** (FCCP). Here, the goal is to build up a brand mystique around a specific foreign culture, usually one that has highly positive connotations for the product (e.g., Switzerland for watches, Germany for household appliances). In China U.S. jeans maker Lee targets the children of rich Chinese families and young and upcoming executives. In the past, Lee was perceived as a Chinese company based in the U.S. (Li is a very common family name in China). At the same time, a market research study showed that the Chinese associate jeans with cowboys, the Wild West, freedom, and passion. As a result, the company decided to position Lee jeans as an expensive brand⁴³ with an American heritage. Lee's U.S. roots are highlighted in print materials with the line: "Founded Kansas, USA, 1889."⁴⁴ Other American brands such as Nike, Timberland, Cadillac, and Budweiser have been able to position themselves very strongly in their foreign markets as authentic pieces of Americana.

Which positioning strategy is most suitable depends on several factors. One important determinant is obviously your target market. When target consumers share core values, attitudes, and aspirations, using a GCCP strategy could be effective. Another driver is the product category. Products that satisfy universal needs and are used in a similar manner worldwide lend themselves more to a GCCP-type approach. High-tech consumer brands (e.g., Siemens, Nokia, Sony) that symbolize modernism and internationalism would qualify. A third factor is the positioning approach used by the local competition. If every player in the local market is using a GCCP strategy, you might be able to break more easily through the clutter by going for an LCCP strategy (or vice versa). A final factor is the level of economic development. In emerging markets that are still in an early stage of economic development, a GCCP approach might be more beneficial than LCCP. In these markets, a brand with a global image enhances the owner's self-image and status.

Sometimes local brands fight it out with global brands by using a GCCP or FCCP strategy. For instance, Brand, a local Dutch beer, uses a U.S. setting and the English language in its advertising. Some brands also use a hybrid approach, by combining ingredients of each of the three strategies. A good example of this approach is the positioning of HSBC, Europe's largest bank, as the "world's local bank." McDonald's is portrayed as a global, cosmopolitan fast-food brand (GCCP) but also as an authentic piece of Americana (FCCP). At the same time, in many countries, McDonald's often highlights its local roots, stressing the fact that it provides local jobs, uses local ingredients, and so forth (LCCP). The fast-food chain localizes its menu, selling salmon sandwiches in Norway, McTeriyaki burgers in Japan, McShawarma and McKebab in Israel, Samurai Pork burgers in Thailand, and so forth. **Exhibit 7-10** shows how McDonald's New Zealand promotes the fact that it sources most of its ingredients from local farmers and other suppliers to the tune of over NZ\$100 million.⁴⁵ According to one story, Japanese Boy Scouts were pleasantly surprised to find a McDonald's restaurant in Chicago.⁴⁶

⁴¹http://www.brandchannel.com/features_effect.asp?pf_id=261.

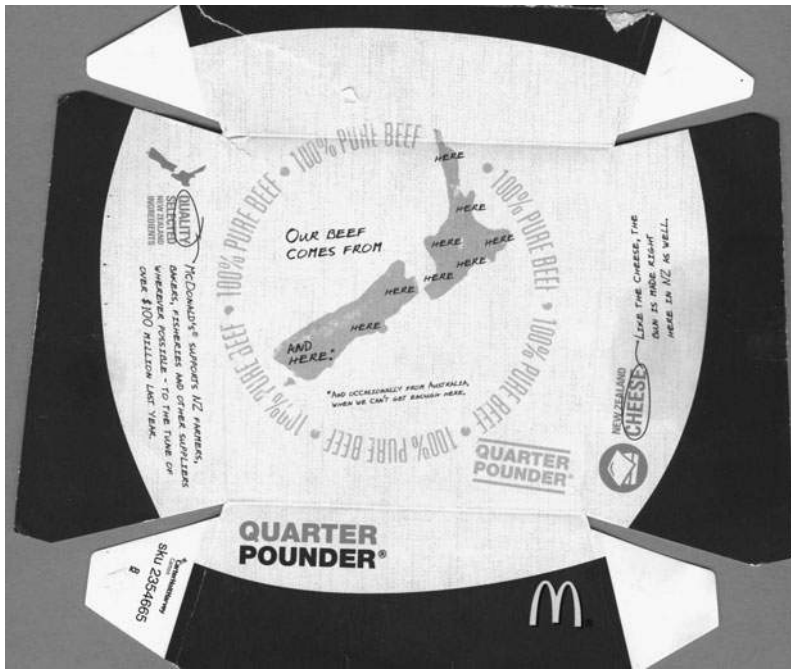
⁴²"Mercedes-Benz Japan drifts down to earth alongside economy," *Ad Age International* (October 1997), p. 36.

⁴³A pair of Lee jeans typically retails for \$79, about one third of the average monthly salary in big Chinese cities.

⁴⁴"Lee Plays Up US Roots To Target China's Elite," *Media* (May 17, 2002), p. 10.

⁴⁵Around US\$51.75 million.

⁴⁶Emiko Ohnuki-Tierney, "McDonald's in Japan," in James L. Watson, *Golden Arches East. McDonald's in East Asia* (Stanford, CA: Stanford University Press, 1997), pp. 161–82.

EXHIBIT 7-10**MCDONALD'S PROMOTING ITS LOCAL COMMUNITY SUPPORT IN NEW ZEALAND**

Courtesy of Kristiaan Heisen.

SUMMARY

A common theme in many writings on global marketing is the growing convergence of consumer needs.⁴⁷ Colorful phrases have been used to describe this phenomenon such as “global village,” “global mall,” “crystallization of the world as a single place,” just to mention a few. This phenomenon of increasing globalization is especially visible for many upscale consumer goods and a variety of business-to-business goods and services that are bought by multinational customers. One director of a global marketing research firm even went so far as to state that “marketers make too much of cultural differences.”⁴⁸ She supports her claim by two reasons. First, technology has given consumers worldwide the same reference points. People see the same TV ads, share similar life experiences, and they are exposed to the same products and services. Second, technology has also given us common aspirations. According to this school of thought, cultures do differ but these differences do not have any meaningful impact on people’s buying behavior.

In the other camp are people like Nicholas Trivisonno, the former CEO of ACNielsen, who notes: “There is no global consumer. Each country and the consumer in each country has

different attitudes and different behaviors, tastes, spending patterns.”⁴⁹ The truth of the matter is somewhere in between these two extreme opinions. Without proper segmentation of your international markets, it is hard to establish whether the “global consumer” segment is myth or reality.

Global marketers have a continuum of choices to segment their customer base. At one end of the spectrum, the firm might pursue a “universal” segment. Essentially the same product is offered, using a common positioning theme. Most likely there are a few, mostly minor, adaptations of the marketing mix program to recognize cross-border differences. At the other end, the firm might consider treating individual countries on a case-by-case basis. In some circumstances, marketers might be able to offer the same product in each country, provided that the positioning is customized. However, typically, the product will need to be modified or designed for each country separately. In between these two extremes, there are bound to be many other possibilities.

By the same token, your positioning strategy can take different directions. Going after a uniform segment, you can adopt a universal positioning theme or themes that are custom-made. Universal appeals do have benefits. Companies

⁴⁷Theodore Levitt, “The Globalization of Markets,” *Harvard Business Review*, 61, May–June 1983, pp. 92–102.

⁴⁸Luanne Flikkema, “Global marketing’s myth: Differences don’t matter,” *Marketing News* (July 20, 1998), p. 4.

⁴⁹“The global consumer myth,” *The Financial Times*, (April 23, 1991), p. 21.

such as UBS, Intel, and Visa have been able to successfully project a uniform, consistent global image. Universal positioning allows the firm to develop a common communication

strategy using global or pan-regional media channels. Unfortunately, coming up with a universal message that is appealing and not bland is often asking too much.

KEY TERMS

Diverse (Unique) segments	Global consumer culture positioning	Multi-local status	Uniform (Localized) positioning
Foreign culture consumer positioning	Local consumer culture positioning	Socioeconomic strata (SES) analysis	Universal positioning appeal
			Universal (Global) segments

REVIEW QUESTIONS

- Under what conditions should companies pursue universal market segments?
- What are the major issues in using per capita GDP or GNP as a country segmentation criterion?
- Discuss the weaknesses of lifestyle based segmentation schemes. For what kind of applications would lifestyle segmentation be appropriate?
- Sometimes local brands use a global consumer culture positioning approach. Explain.

DISCUSSION QUESTIONS

- Peter Sampson, a managing director of Burke Marketing Research, points out that “lifestyle and value-based segmentations are too general to be of great use in category specific studies . . . their international application is too limited as lifestyles vary internationally.” Do you agree or disagree with his comment?
- Fiat, the Italian carmaker (www.fiat.com), is looking to sell vehicles in Singapore again after it left the market in 2001. Singapore’s car market is small and very competitive. Fiat sold only 68 cars in Singapore in 1968 and just 5 in 2000 before it pulled out of the market. Fiat’s competitors in the small-car segment include cheaper Japanese and Korean firms that spend heavily on advertising. Fiat also must overcome the image that its cars are not suitable for local driving conditions. For instance, Fiat failed to offer a “tropicalization pack” for the Punto. Such a pack includes an air-conditioning system customized to Singapore’s tropical climate. Given Fiat’s marketing challenges, what positioning would you prescribe for the car marque in Singapore?
- In a host of emerging markets (e.g., India, Brazil, Thailand), 50+ percent of the population is under 25 years old. One marketer observes: “teenagers are teenagers everywhere and they tend to emulate U.S. teenagers” (*Advertising Age International*, October 17, 1994, p. I-15). Is there a global teenager segment? Do teenagers in, say, Beijing really tend to emulate L.A. teenagers? Discuss.
- Assignment (advanced). Select a particular consumption product (e.g., ice-cream). Try to come up with at least two variables that you believe might be related to the per-capita demand for the chosen product. Collect data on the per-capita consumption levels for your chosen product and the selected variables for several countries. Segment the countries using e.g., cluster analysis (SAS users might consider PROC FASTCLUS). Derive two- and three-cluster solutions. Discuss your findings.
- Browse through a recent issue of *The Economist*. As you may know, *The Economist* has regional editions. Most of the ads target an international audience (regional or global). Pick four ads and carefully examine each one of them. Who is being targeted in each print ad? What sort of positioning is being used?
- One phenomenon in scores of emerging markets is a rising middle class. In a recent *Ad Age International* article (October 17, 1994) on the global middle class, one analyst referred to this phenomenon as the *Twinkie-ization* of the world (Twinkie being the brand name of a popular snack in the United States): “It’s the little things that are treats and don’t cost much and feel like a luxury.” What are these “little things”? Do you agree with this statement?

SHORT CASES



ASE 7-1

COACH—SELLING HANDBAGS OVERSEAS

Coach, Inc. is an American luxury leather goods company primarily known for ladies’ handbags. The company started in 1941 as a family-run workshop based in a Manhattan loft. Now greatly expanded, the company aspires to maintain high standards for materials and craftsmanship. In 2008, faced with a severe economic slowdown in its core U.S. market, Coach decided to expand its drive into Asia. A key market in this expansion drive is China. According to Ernst & Young, China bought more than \$2 billion worth of upscale products in 2008. This figure could rise to \$11.5 billion by 2015. By the end of 2006, the country boasted 345,000 U.S. dollar millionaires, one third of whom were women. Coach expects China will make up over 4 percent of its sales by 2013 as it expands into a hundred cities. It also announced plans to acquire its own retail businesses in Greater China from current distributor ImagineX to boost its market presence. Coach plans to increase the number of stores there from 25 in 2008 to 80 by 2013. The stores will include flagship and stand-alone stores, as well as factory outlets.

Coach hopes to be able to replicate in China what it did in Japan (see Table) by increasing its market share from just 3 percent in 2008 (compared to 30 percent for Louis Vuitton) to 10 percent by 2013. Franfort explained how Coach could grab shares from its European competitors in Japan: “Many Japanese women told us they would rather spend 60,000 yen (\$578) for a Coach bag and spend the other 60,000 yen that they would save by not buying a European luxury brand and use it to go to Thailand.” Coach especially appeals to women under age 35. Older Japanese women prefer carrying European luxury brands as a status symbol.

Handbag Market Shares in Japan

Company	2000	2008
Louis Vuitton	33%	27%
Coach	2%	12%
Prada	>10%	<10%
Gucci	>10%	<10%

Source: “Coach bets Chinese open the purse strings,” *Wall Street Journal*

CEO Lew Frankfort states that Coach’s competitive advantage over other luxury leather goods companies such as Louis Vuitton is that “We offer a well-made and stylish product . . . at

Source: “Handbag Brand Coach Plans Major Expansion in China,” <http://www.iht.com/articles/2008/05/29/style/coach.php>; www.coach.com; “Coach Bets Chinese Open the Purse Strings,” *Wall Street Journal Asia*, May 30–June 1, 2008, p. 28.

less than half the price point of our European competitors.”⁵⁰ Coach handbags retail for \$1,100, although many models are much cheaper. To keep the brand more accessible than its European luxury rival brands, Coach makes its product in lower-cost countries while sourcing its raw materials from high-quality mills and tanneries. As a result, Coach’s labor costs are a fraction of its European competitors’ costs.

COACH FLAGSHIP STORE IN HONG KONG



Courtesy of Kristiaan Helsen

Coach’s primary focus is on the female consumer because “she tends to be brand-loyal, will go shopping whether the stock market declines or not, and if she has a bad day at the office she may buy herself a Coach bag, where a man would have a double-scootch.”

Describing the difference between the Chinese and U.S. consumer, Frankfort said: “In China, there’s a luxury consumer that represents perhaps 0.05 percent of the population—very small but with enormous purchasing power. That’s not our primary target. Our target is the emerging middle class who have gone to university and are now getting 30 to 40 percent [pay] increases a year . . . These women are trading up and investing in plasma TVs and laptop computers and Coach bags. They are looking for ways to broaden their life and Coach is one way . . . There are some consumers who are extremely wealthy, and hopefully our limited-edition product will attract them, but they are not our primary thrust.”⁵¹ The next frontier

⁵⁰“Handbag Brand Coach Plans Major Expansion in China,” <http://www.iht.com/bin/printfriendly.php?id=13302728>.

⁵¹“Coach Bets Chinese Open the Purse Strings,” *Wall Street Journal Asia*, (May 30–June 1, 2008), p. 28.

would be India, though for the time being that market is on the back burner because of infrastructure problems.

DISCUSSION QUESTIONS

1. Will Coach be able to replicate its Japan success story in China? Why was the firm successful in Japan?
2. Reflect on Coach's targeting strategy. What are the alternatives? Coach decided to focus on the emerging middle class—do you agree?
3. Around the time that Coach announced its Asia expansion drive the global economy entered into a deep recession. To what extent would the recession affect Coach's strategy in Asia (primarily Japan and China)? Would Coach need to revisit its plans? If so how?

CASE 7-2

CROCS: LOVE THEM, HATE THEM

In the demi-monde of footwear, the term *croc* once stood for the reptile skin used in elegant footwear. Today, it's synonymous with an entirely different (and altogether vegetarian) phenomenon. In just a few years, the shoes known as "Crocs" have spread around the world.

In June 2002, entrepreneur George Boedecker used a company he had previously formed called Western Brands to start up a shoe company that eventually became known as Crocs, Inc.⁵² Earlier that same year Boedecker had been approached by a Canadian firm, Foam Creations, to distribute a newly developed shoe. The peculiar new shoe was made from a proprietary foam resin called "Croslite." The shoes are called Crocs because they resemble a crocodile's snout. Initially, the shoe was marketed as a lightweight boating and outdoor footwear that featured slip-resistant and non-marking soles. The first model, the Crocs *Beach*, was unveiled in November 2002 at the Ft. Lauderdale Boat show and the 200 initial pairs sold out immediately. Word of mouth spread. Early adopters were mostly people who spent a lot of time on their feet such as restaurant workers, nurses, and doctors. The Crocs epidemic soon engulfed the world as millions rushed to jump on the Crocs bandwagon. Celebrities such as George W. Bush and Jack Nicholson have been spotted wearing the shoes. Crocs wearers are almost evangelical about the shoes' comfort. Crocs shoes have been awarded the American Podiatric Medical Association (www.apma.org) Seal of Acceptance. The AMPA took special note of the fact that Croslite "warms and softens with body heat and molds to the users' feet, while remaining extremely lightweight."

Crocs capitalized on several strengths.⁵³ Kids like their brightness, squishiness, and the holes in the front in which charms can be placed. Parents like that the shoes are waterproof, odor-free, and washer-safe. The Croc fad also benefits from the appropriation of an ethnic look: the Dutch clog. Ugly is acceptable especially when it is imported (not unlike Australian Ugg boots). In *Rolling Stone* Crocs even ran ads proclaiming "Ugly can be beautiful." The anti-bourgeois quality of the shoes also has a certain appeal: Crocs are a bottom-up



© Ron Sachs/CNP/©Corbis

brand, embraced by ordinary people. They represent a kind of rebellion.

By June 2004, Crocs was able to acquire Foam Creations to secure its manufacturing operations and the patent to the foam resin material that its shoes were made from. In October 2006 Crocs also bought Jibbitz, a manufacturer of accessories that snap into the holes of Crocs. The Crocs franchise then continued to grow in 2007 as its product line expanded to over 250 styles and retail points mushroomed to 200 worldwide markets in Europe and Asia. CEO Ronald Snyder delivered a stunning

⁵²www.crocs.com.

⁵³<http://www.slate.com/id/2170301/>.

report card in 2007 of 139 percent growth and US\$847 million sales revenues, up from US\$355 million in 2006.

While many regard the shoes as comfortable and colorfully decorated, the popularity of Crocs has also led to the inevitable backlash. Many people regard Crocs as a fashion disaster or even a disease. Crocs have been lampooned as “clown shoes” or even worse. A *Washington Post* article described the Crocs criticism as follows: “Nor is the fashion world enamored of Crocs. Though their maker touts their “ultra-hip Italian styling,” lots of folks find them hideous.”⁵⁴ One British journalist who had seen the shoes in South Africa described them as “something crafted from a car tyre in a poverty-stricken local township and sold on street corners.”⁵⁵ Two college students based in Halifax, Nova Scotia, set up a website called www.ihatecrocs.com with anti-Crocs rants and videos of the shoes being burned or shredded. Crocs ranked No. 6 on Maxim’s “10 Worst Things to Happen to Men in 2007” listing.⁵⁶

Probably even more worrisome are growing negative reports on the shoes’ safety. Several wearers, mostly children, suffered injuries after their shoes got entrapped in escalators. The U.S. Consumer Product Safety Commission has documented 77 soft shoe entrapments on escalators since January 2006 and issued a warning in May 2008. One family of a child whose foot was maimed in an escalator accident at the Atlanta airport is suing Crocs for failure to put safety features in the soft-holed shoes.⁵⁷ The company maintains that the safe design and maintenance of escalators is the real issue. Yet it put warning tags on its footwear. Japan’s Trade Ministry is looking into several reports of people damaging toenails on Jibbitz

accessories fixed to Crocs sandals. Following the incidents, Crocs Asia warned on its website that children should not wear oversized Crocs. “Jibbitz attached near the toes could harm toes or toenails,” said the company on its Japanese website.⁵⁸ In April 2008, Japanese and Philippine authorities asked the firm to consider changing the footwear’s design because of escalator incidents in their countries. Crocs promised to insert safety tags.

In recent days the allure of Crocs seems to be fading, at least in the United States. In 2008 U.S. retailers cut back on orders as U.S. consumers spend less in the wake of the weak economy. One retail analyst pointed out that the Crocs brand is not strong enough to command prices four times those of imitations. At Nordstrom stores, Crocs sell for \$24.95 to \$69.95 each compared to as little as \$5 for similar clogs on Wal-Mart’s website. Luckily for the company, international demand is still rising: sales in the second quarter of 2008 rose 13 percent in Europe and 65 percent in Asia. One retail consultant noted: “It’s a fad, not an essential basic in the consumer’s wardrobe . . . with the weak economy, consumers may not be interested in new Crocs this year.”⁵⁹

DISCUSSION QUESTIONS

1. Explain why a “heinous synthetic shoe” (as described in a *Slate* article) conquered the world?
2. Sales in the United States are declining. Do you expect that Crocs will also lose momentum in the international markets and why? Is the phenomenon indeed just a fad?
3. One BBDO ad executive claimed that “Crocs may have been successful, but it has never been a brand. The name itself is well established but the equities are missing.” Do you agree?
4. How would you target/position the Crocs brand in the international market (say Asia)?

⁵⁴http://www.washingtonpost.com/wp-dyn/content/article/2006/07/31/AR2006073100890_pf.html.

⁵⁵<http://www.dailymail.co.uk/femail/article-470904/Curse-Crocs-Why-middle-aged-men-wear-ugliest-shoes-invented.html>.

⁵⁶<http://www.maxim.com/The10bestandworstthingstohappentomenin2007/articles/2/10316.aspx>.

⁵⁷<http://www.foxnews.com/story/0,2933,419962,00.html>.

⁵⁸<http://www.just-style.com/article.aspx?id=101631>.

⁵⁹<http://www.rockymountainnews.com/news/2008/jul/25/crocs-shares-sink-grim-sales-news/>

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APPENDIX

In this appendix we give an overview of segmentation tools that can be used to do a country segmentation. A huge variety of segmentation methodologies have been developed in the marketing literature. Many of these techniques are quite sophisticated. We will just give you the flavor of two of the most popular tools without going through all the technical nitty-gritty.

When only one segmentation variable is used, classifying countries in distinct groups is quite straightforward. You could simply compute the mean (or median) and split countries into two groups based on the value (above or below) on the criterion variable compared to the mean (or median). When more than two groups need to be formed, one can use other quantiles. Things become a bit more complicated when you plan to use multiple country segmentation variables. Typically, the goal of market segmentation is to relate, in some manner, a battery of descriptive variables about the countries to one or more behavioral response variables:

$$\text{Response} = F(\text{Descriptor}_1, \text{Descriptor}_2, \text{Descriptor}_3, \dots)$$

For instance, the response variable might be the per-capita consumption of a given product. The descriptor variables could be the stage in the product life cycle, per-capita GNP, literacy level, and so on. We now describe two methods that can help you in achieving this goal: cluster analysis and regression.

Cluster Analysis. *Cluster analysis* is an umbrella term that embraces a collection of statistical procedures for dividing objects into groups (*clusters*). The grouping is done in such a manner that members belonging to the same group are very similar to one another but quite distinct from members of other groups.

Suppose information was collected for a set of countries on two variables, X and Y. The countries are plotted in **Exhibit 7-11**. Each dot corresponds to a country. In this case, the clusters are quite obvious. Just by eyeballing the graph, you can distinguish two clear-cut clusters, namely

EXHIBIT 7-11
PRINCIPLES OF CLUSTER ANALYSIS

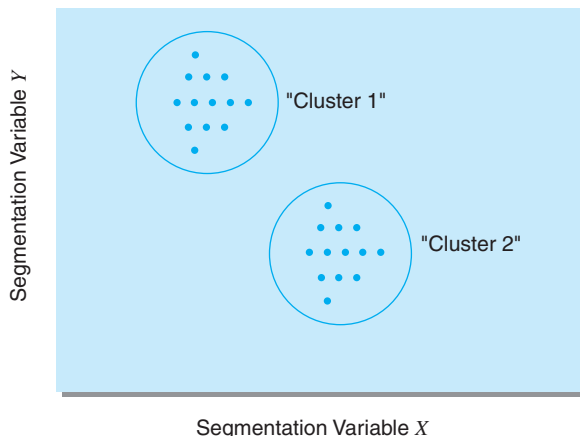
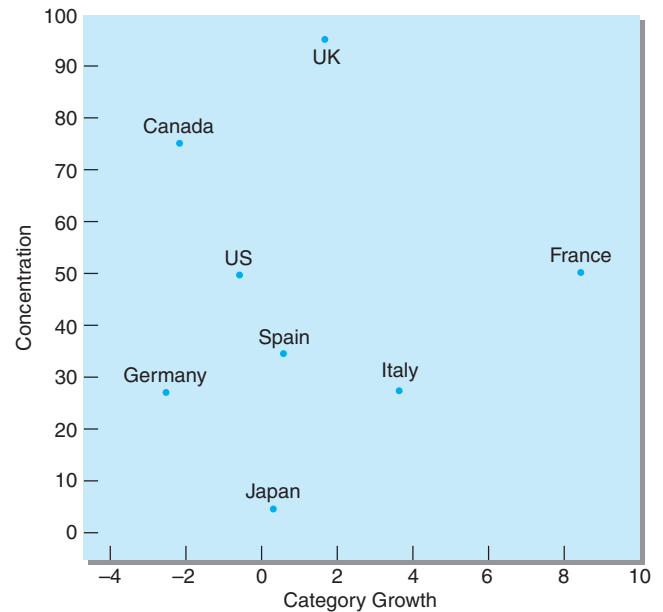


EXHIBIT 7-12
PLOT OF CONCENTRATION VERSUS CATEGORY GROWTH CHOCOLATE MARKET



“Cluster 1” and “Cluster 2.” Unfortunately, in real-world applications, clustering is seldom so easy. Consider **Exhibit 7-12**. This exhibit plots the values of chocolate volume growth rate and market concentration⁶⁰ in eight countries. For this example, it is far less obvious how many clusters there are, let alone how they are composed. In addition, most country segmentations involve many more than two criteria.

Luckily there are many statistical algorithms available that will do the job for you. The basic notion is to group countries together that are “similar” in value for the segmentation bases of interest. Similarity measures come under many guises. The most popular way is to use some type of distance measure:

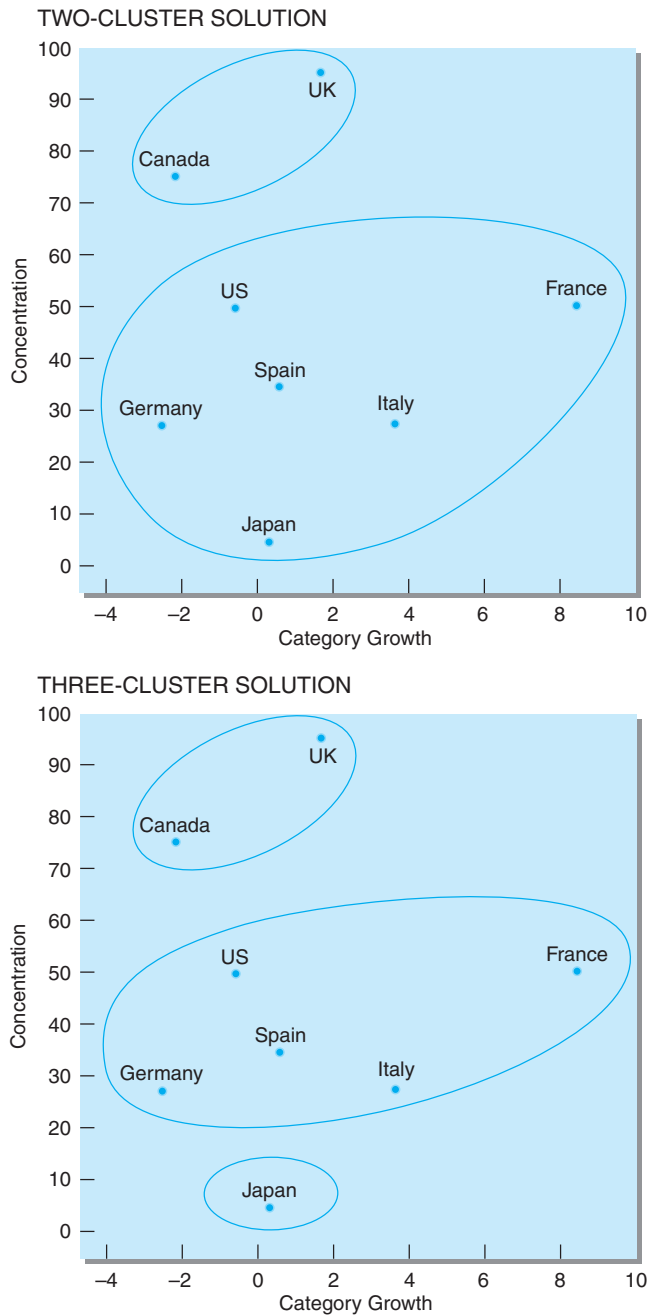
$$\text{Distance}_{\text{country A vs. B}} = (X_{\text{country A}} - X_{\text{country B}})^2 + (Y_{\text{country A}} - Y_{\text{country B}})^2$$

where X and Y are the segmentation variables. These distances⁶¹ would be computed for each pair of countries in the set. The clustering algorithm takes these distances and uses them as inputs to generate the desired number of country groupings. Most “canned” statistical software packages (e.g., SAS, SPSS-X) have at least one procedure that allows you to run a cluster analysis. **Exhibit 7-13** provides the two- and three-cluster solutions for the chocolate market example.

⁶⁰Measured via the combined market shares of the three largest competitors—Cadbury, Mars, and Nestlé.

⁶¹Strictly speaking, these are “squared” distances.

EXHIBIT 7-13
CLUSTER ANALYSIS



Regression. Alternatively, you might consider using regression analysis to classify countries. In regression, one assumes that there exists a relationship between a response variable, Y, and one or more so-called predictor variables, X₁, X₂ and so on:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + \dots$$

The first term, a, is the intercept. It corresponds to the predicted value of Y when all the Xs are equal to 0. The other parameters, the bs, are the slope coefficients. For example, b₁

tells you what the predicted change in Y will be for a unit change in X₁.

In our context, the dependent variable, Y, would be a behavioral response variable (e.g., per-capita consumption) and the predictor variables would be a collection of country characteristics that are presumed to be related to the response measure. For given values of the parameters, you can compute the predicted Y-values, \hat{Y} . Very seldom, these predicted values will match the observed Ys. The goal of regression is to find estimates for the intercept, a, and the slope coefficients, the bs, that provide the “best” fit by minimizing the prediction errors, $Y - \hat{Y}$, between the predicted and observed values of Y. The most common regression procedure, ordinary least squares (OLS), minimizes the sum of the squared differences of these prediction errors.

For each of the parameter estimates, the regression analysis will also produce a standard error. Dividing the parameter estimate by the standard error yields the t-ratio. This ratio tells you whether or not the predictor variable has a “significant” (statistically speaking) relationship with the dependent variable. As a rule of thumb, a t-ratio (in absolute value) larger than 2.0 would indicate a significant effect of the predictor variable on the response variable. The overall goodness of fit is captured via the R²-statistic. The higher the R² value, the better the ability of your regression model to predict your data.

To illustrate the use of regression analysis as a segmentation tool, let us look at a numerical example. Consider a microwave oven maker who wants to explore market opportunities in the European market. Data were collected for several European countries on the penetration of microwave ovens (as percentage of households owning a microwave). Data were also gathered on three potential segmentation variables: income (per-capita GDP), participation of women in the labor force, and per-capita consumption of frozen foods.⁶² Using these data as inputs, the following results were obtained (t-ratios between parentheses):

$$\begin{aligned} \text{MICROWAVE OWNERSHIP} = & -76.7 - 0.5 \text{ FROZEN FOOD} + 2.7 \text{ WOMEN} - 0.03 \text{ PER CAP GDP} \\ & (-2.2) \quad (-1.3) \qquad (2.9) \qquad (-0.04) \end{aligned}$$

R² = 0.52

Note that, apparently, the only meaningful segmentation base is the participation of women in the labor force: microwave ownership increases with the proportion of women in the labor force. Since the microwave is a timesaving appliance, this result intuitively makes sense. The other variables appear to have (statistically speaking) not much of an impact on the adoption of microwave ovens. Somewhat surprisingly, high consumption of frozen foods does not lead to an increased ownership of microwave ovens. There is also no relationship with income. Thus, in this case, the European marketing manager could group countries simply on the basis of the degree of participation of women in the labor force.

Aside from these two commonplace tools, there are many other multivariate statistical procedures that can be used to do country segmentation analysis (e.g., latent class analysis, discriminant analysis, Automatic Interaction Detection).

⁶²The data for this example were collected from the *European Marketing Data and Statistics 1992*, London: Euromonitor.