Segmentation, Targeting, and Positioning

Global Marketing
Chapter 7

Market Segmentation and Targeting

- Represents an effort to identify and categorize groups of customers and countries according to common characteristics
- The process of evaluating segments and focusing marketing efforts on a country, region, or group of people that has significant potential to respond
- Focus on the segments that can be reached most effectively, efficiently, and profitably

Market Segmentation and Targeting

- Defined as the process of identifying specific segments—whether they be country groups or individual consumer groups—of potential customers with homogeneous attributes who are likely to exhibit similar responses to a company’s marketing mix.

Positioning

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

Global Market Segmentation

- Demographics
- Psychographics
- Behavioral characteristics
- Benefits sought

Contrasting Views of Global Segmentation

- Conventional Wisdom
  - Assumes heterogeneity between countries
  - Assumes homogeneity within a country
  - Focuses on macro level of cultural differences
  - Relies on clustering of national markets
  - Less emphasis on within-country segments

- Unconventional Wisdom
  - Assumes emergence of segments that transcend national boundaries
  - Recognizes existence of within-country differences
  - Emphasizes micro-level differences
  - Segments micro markets within and between countries
Demographic Segmentation

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

What are the trends?

Demographic Facts and Trends

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

Demographic Facts and Trends

- America’s three main ethnic groups—African/Black Americans, Hispanic Americans, and Asian Americans—represent a combined annual buying power of $1 trillion
- The United States is home to 26.4 million foreign-born residents with a combined income of $233 billion
- By 2030, 20 percent of the U.S. population—70 million Americans—will be 65 or older versus 13 percent (36 million) today
- India has the youngest demographic profile among the world’s large nations: More than half of its population is under the age of 25

Ethnic Segmentation

- The population of many countries includes ethnic groups of significant size
- Three main groups in the U.S. include African-Americans, Asian-Americans, and Hispanic Americans
- Hispanic Americans
  - 40+ million Hispanic Americans (14% of total pop.) with $560 billion annual buying power
  - CA Mexicans have after-tax income of $100 billion
  - The number of Hispanic teens will rise from 12 percent of the U.S. teen population to 18 percent in the next decade

NBA to pay tribute to Latin heritage with Noche Latina 2012

- The National Basketball Association (NBA) announced the schedule of this season’s Noche Latina (Latin Night) program.
- These commemorative games celebrate the growing support of NBA fans and players across Latin America and U.S. Hispanic communities with special telecasts and in-arena festivities, including distinctive NBA team uniforms.

Segmenting by Income and Population

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

**TABLE 7-2 Per Capita Income, 2007**

<table>
<thead>
<tr>
<th>2007 GDP Per Capita</th>
<th>2007 Income Adjusted for Purchasing Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Norway</td>
<td>$77,370</td>
</tr>
<tr>
<td>2. Luxembourg</td>
<td>$72,430</td>
</tr>
<tr>
<td>3. Switzerland</td>
<td>$60,820</td>
</tr>
<tr>
<td>4. Iceland</td>
<td>$57,750</td>
</tr>
<tr>
<td>5. Denmark</td>
<td>$55,440</td>
</tr>
<tr>
<td>6. Sweden</td>
<td>$47,870</td>
</tr>
<tr>
<td>7. Ireland</td>
<td>$47,610</td>
</tr>
<tr>
<td>8. United States</td>
<td>$46,040</td>
</tr>
<tr>
<td>9. Netherlands</td>
<td>$45,650</td>
</tr>
<tr>
<td>10. United Kingdom*</td>
<td>$40,660</td>
</tr>
</tbody>
</table>

©2011 Pearson Education, Inc. publishing as Prentice Hall

---

10 Most Populous Countries

**TABLE 7-4 The 10 Most Populous Countries, 2007**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>WORLD TOTAL</td>
<td>6,610.26</td>
<td>100.00%</td>
<td>$52,200.42</td>
</tr>
<tr>
<td>1. China</td>
<td>1,318.31</td>
<td>19.93%</td>
<td>3,126.81</td>
</tr>
<tr>
<td>2. India</td>
<td>1,124.79</td>
<td>17.08%</td>
<td>1,871.69</td>
</tr>
<tr>
<td>3. United States</td>
<td>301.62</td>
<td>4.55%</td>
<td>13,306.42</td>
</tr>
<tr>
<td>4. Indonesia</td>
<td>225.63</td>
<td>3.40%</td>
<td>372.63</td>
</tr>
<tr>
<td>5. Brazil</td>
<td>191.80</td>
<td>2.90%</td>
<td>1,122.09</td>
</tr>
<tr>
<td>6. Pakistan</td>
<td>162.48</td>
<td>2.45%</td>
<td>140.24</td>
</tr>
<tr>
<td>7. Russian Federation</td>
<td>142.19</td>
<td>2.14%</td>
<td>1,099.82</td>
</tr>
<tr>
<td>8. Bangladesh</td>
<td>158.57</td>
<td>2.39%</td>
<td>74.95</td>
</tr>
<tr>
<td>9. Nigeria</td>
<td>147.98</td>
<td>2.25%</td>
<td>155.33</td>
</tr>
<tr>
<td>10. Japan</td>
<td>127.77</td>
<td>1.94%</td>
<td>4,828.91</td>
</tr>
</tbody>
</table>

The 10 most populous countries in the world accounted for 47% of world income

©2011 Pearson Education, Inc. publishing as Prentice Hall

---

McDonald’s Global Expansion

- McDonald’s operates in more than 120 countries
- 80% of McDonald’s restaurants are located in 9 country markets: Australia, Brazil, Canada, China, France, Germany, Japan, UK, USA
- 9 countries are generating about 75% of total revenue

©2011 Pearson Education, Inc. publishing as Prentice Hall

---

Age Segmentation

- Global Teens—young people between the ages of 12 and 19
  - A group of teenagers randomly chosen from different parts of the world will share many of the same tastes
  - Attractive both in terms of its size (1.3 billion) and purchasing power
- Global Elite—affluent consumers who are well traveled and have the money to spend on prestigious products with an image of exclusivity

©2011 Pearson Education, Inc. publishing as Prentice Hall

---

Gender Segmentation

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

©2011 Pearson Education, Inc. publishing as Prentice Hall
Psychographic Segmentation

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

Psychographic Segmentation

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

Behavior Segmentation

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

Benefit Segmentation

- Benefit segmentation focuses on the value equation
  - Value=Benefits/Price
- Based on understanding the problem a product solves, the benefit it offers, or the issue it addresses
Assessing Market Potential

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

Assessing Market Potential

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

Current Segment Size and Growth

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

Potential Competition

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

Feasibility and Compatibility

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

Feasibility and Compatibility

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

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

9 Questions for Creating a Product-Market Profile

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

Target Market Strategy Options

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

- Concentrated global marketing
  - Niche marketing
  - Single segment of global market
  - Look for global depth rather than national breadth
    - Ex.: Chanel-high end cosmetics
    - Body Shop-natural cosmetics

- Differentiated global marketing
  - Multi-segment targeting
  - Two or more distinct markets
  - Wider market coverage
    - Ex.: P&G markets Old Spice and Hugo Boss for Men

Positioning

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

Positioning Strategies

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

Beer is associated with this German’s culture; the symbol on his shirt is not German!
Positioning Strategies

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