
UNIT 4 INTERNATIONAL MARKET SEGMENTATION

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4.0 OBJECTIVES

After studying this unit, you should be able to :

- define the terms international segmentation, targeting and positioning
- state the bases of international market segmentation
- explain the strategies of targeting international markets
- identify the strategies for effective market positioning

4.1 INTRODUCTION

A company or firm should not attempt to serve all the customers in a market, since there are too many customers in a market whose specific requirements are different. However, these customers and markets tend to exhibit some resemblance in their buying behaviour. Hence a firm should, taking into account its own strengths and limitations, **select the market(s)** that it can serve most effectively and draw up operational plans for marketing the product/service in the selected markets. After identifying the segments, the next step is **targeting**, wherein the identified segments are evaluated and compared, and the segments with greatest potential are selected. Finally companies must plan ways to penetrate their chosen target market(s) by determining the best **positioning** for their product offerings. Here, marketers should devise an appropriate marketing mix to set the product in the mind of the potential buyers in the target market.

In this unit we shall discuss the meaning of market segmentation, the bases of international market segmentation, requirements for effective segmentation, meaning and strategies of targeting and positioning a product or service in international market.

4.2 INTERNATIONAL MARKET SEGMENTATION

As you know, a market refers to a set of all actual and potential buyers of a product. It means that buyers in the same market seek products broadly for the same function. But different buyers have different evaluative criteria about what constitutes the right product for performing the same function. For example, take the case of a scooter market. Some buyers prefer Bajaj scooter, some prefer LML and others like Kinetic Honda. Thus, within the same market there are submarkets that differ significantly from one another. This lack of homogeneity within the same market may be due to the differences in buying habits, the ways in which the product is used, motives for buying, etc. Therefore, it is necessary to divide the market into homogeneous submarkets for successfully marketing the product.

4.2.1 What is International Market Segmentation?

Market segmentation is the process of identifying groups or set of potential customers at national or international level who exhibit similar buying behaviour. According to Philip Kotler, "marketing segmentation is dividing a market into distinct groups of buyers with different needs, characteristics, or behaviour who might require separate products or marketing mixes". International market segmentation, thus, is the process of dividing the total market into one or more parts (submarkets or segments) each of which tends to be homogeneous in all significant aspects. A market segment refers to a submarket (a part) of the market which is homogeneous in all significant aspects.

Market segmentation allows a marketer to take a heterogeneous market (a market consisting of customers with diverse characteristics, needs, wants and behaviour), and carve it up into one or more homogenous markets (markets made up of individuals or organizations with similar needs, wants and behavioural tendencies). Segmenting helps in designing the marketing mix as per requirements of the customers which is beneficial not only to the marketers but also to the customers.

The intensity of market segmentation varies from one country or geographic area to another, and is often closely linked to the stage of market development. Markets in industrialized countries/regions such as the USA or Western Europe are often highly segmented while those in developing or emerging countries are more likely to be unsegmented. For example, the cigarette market in the USA is highly segmented by length of cigarettes, filter vs. non-filter, low tar vs. regular and menthol vs. non-menthol and various combination of these. On the other hand, in developing countries there are typically, at best, two segments, viz. premium brands (often US brands such as Marlboro) and cheaper local brands.

There are certain target segments with similar interest and response patterns that can be identified across countries and regions. For example, businessmen and women from different countries often exhibit similar preferences with regard to expensive pens, watches and other personal items and are prime targets for the international business media such as Fortune and Business Week. Likewise, the same cartoon characters from Disney films such as Batman, Superman and Aladdin and toys such as Barbie dolls attract children worldwide.

Further, ethnic groups often maintain traditional food eating patterns, sports and entertainment interests even after migrating to other countries; and these constitute global segments with similar tastes and interests for specific ethnic products. For example, Indian immigrants into the UK have retained traditional food consumptions patterns and are prime targets for Indian spices and pulses. This promotes a range of firms to develop products suited to their tastes.

The growth of market linkages has fostered the spread of global and regional market segmentation. In some instances these links facilitate accessibility to such segments. The following three types of market linkages are instrumental in this regard:

- **Communication linkages** such as media, satellite network and integrated computer systems.

- **Travel linkages** through the movement of customers from one geographic region to another.
- **Organizational linkages** such as professional and social associations and links between subsidiaries or branch offices of a company in different countries.

As these linkages become stronger and further reinforced by linkages in the market, infrastructure and improved communication, they constitute an important force towards market segmentation.

Relationship of a Segment to the Market

A market segment consists of buyers who seek (occasionally or often) the same aspects of a product. The concept of a market as a set and a segment as a subset is the basis on which the process of segmentation is carried out. But the relationship of a segment to a market is also one of the means to achieving certain goals. The implications of this relationship are:

- Since means for accomplishing goals can be varied, different segments of a market may demand radically different substitutes (for example, electric razor for a safety razor).
- Since the function distinguishing a market is a means to some higher-level function that can be served by a variety of markets, there can be mobility of buyers among the several markets which may result in instability in any individual market (for example, from 'movie' of the film industry to 'entertainment' where TV competes with the film industry)
- Since choice is exercised by people within the context of what is available, the buyers are not necessarily satisfied with what they buy meaning thereby that a possibility always remains of designing an attribute mix better suited to the segment.

We can say that buyers within a segment are more homogeneous in their market wants when compared to those who are in the market at large, but differences will always remain in wants among those within a segment notwithstanding this similarity. What it means is this that a marketer can always achieve additional homogeneity by subdividing the original set of segments further until, theoretically speaking, we have segments to which only one buyer belongs. The question that arises is how far the process is carried towards this end. The answer will depend on: (a) the commercial viability of small segments, and (b) the competitive practices of rivals.

Now what should a marketer do? He may ignore the differences and treat the segment as a homogeneous segment, or he may take account of some of the differences in product variety, promotion and distribution and segment the market on that basis. So segments will be distinguishable on the basis of such differences. In other words, one will be able to distinguish one segment from another on the basis of what segment members have in common in respect of what they seek from a product. However, since consumer wants keep on changing with the passage of time, segment wants would also change in time necessitating that the manufacturer adapt his offering without necessarily affecting the definition of the core want.

However, the concept of market segmentation should not be mixed up with the concept of product differentiation. **Product differentiation** is resorted in order to differentiate one's product from a competitor's product and thereby eliminate price competition. This strategy is usually adopted by companies selling standardised products (such as soaps) to a fairly homogeneous market. To reduce competition, many resort to both market segmentation and products differentiation. **Market segmentation** is resorted in order to penetrate a limited market in depth, while product differentiation is used to secure breadth in the market. It may be said that the product differentiation seeks to secure a layer of the market cake, whereas market segmentation strategy strives to secure one or more wedge-shaped pieces. Compared to product differentiation, segmentation of markets is only a transitory phenomenon.

4.2.2 Bases of International Market Segmentation

Markets may be segmented according to several criteria such as geographic, demographic (including national incomes, size of population), psychographic (values, attitude and lifestyle), behavioural characteristics and benefits sought. It is also possible to cluster

different national markets using dimensions of business and market environment such as government regulations and regional groupings. Let us discuss the basic criteria for segmenting international markets.

1. Geographic Segmentation

In this type of segmentation, the market is divided into different geographical units such as nations, states, regions, provinces and cities. The company can operate in one or few geographical areas or operate in all but pay attention to local variations in geographic needs and preferences. For example, Japan's Nissin's instant noodles is sold in most parts of Asia but customized regionally. In India, unlike the Japanese, where people do not use chopsticks, the noodles come in a shorter version. They are also given spicier flavour and is vegetarian-based (instead of meat based) because of a large population of vegetarians.

When a company does business in more than one country, there are two approaches to the market. Target markets can be identified as: (1) all consumers within the borders of a country; or (2) global market segments – all consumers with the same needs and wants in groups of country markets. Most international marketers have traditionally viewed each country as a single market segment unique to that country. This approach has three limitations: (1) it is based on country variables and not on consumer behaviour patterns, (2) it assumes total homogeneity of the country segment, and (3) it overlooks the existence of homogeneous consumer segments that exist across national boundaries. Global segmentation identifies groups of consumers with similar needs and wants in multiple country markets. They may come from different countries, have different backgrounds, and speak different languages, but they do have commonalities – they have similar sets of needs for a product. Consumers in a global market segment share common characteristics that make them a relatively homogeneous group of buyers.

2. Demographic Segmentation

Demographic segmentation is based on measurable characteristics of population such as age, gender, income, education and occupation. These variables are the most popular bases for distinguishing customer groups for segmentation. One of the reasons for such type of segmentation is that the consumer wants, preferences and usage rates are often associated with demographic variables. Further, these variables are easier to measure.

For most consumer and industrial products, national income and per capita income constitute the single most important segmentation variable and indicator of market potential. This enables the companies to cluster countries into segments of high, middle and low income and then target the country which had the desired income level. Further, many global companies manufacturing products of mass consumption with low prices (such as cigarettes, soft drinks, ball point pens and transistor radios) segment their market on the basis of population. Thus, China and India with respective populations of 1.5 billion and over one billion represent attractive target markets for companies with low priced consumer products.

A more contemporary approach to demographic segmentation involves age as the variable. Global teenager (young people between the ages of 12-19) has been a major variable to segment the international market. Teenagers exhibit consumption behaviour that is remarkably consistent across the borders by virtue of their exposure to and interest in fashion, music and youthful lifestyles. This fact combined with shared universal needs, desires and fantasies enables the marketers to reach the global teen segment with a unified marketing programme. Coca-Cola, Benetton, Sony and Swatch are some of the multinational companies that are pursuing the global teenage segment. The global telecommunication revolution is a critical driving force behind emergence of this segment. Global media such as MTV provides a perfect vehicle for reaching this segment. Likewise, gender segmentation has long been applied in clothing, cosmetics, magazines, etc. For example, in the USA the cigarette market consists of brands such as Eve and Virginia slims which exclusively target the female market.

Another demographic variable, on the basis of which international market could be segmented, is social class. Elites represent older, more affluent consumers who are widely traveled and have money to spend on prestigious products with an image of exclusivity.

These segments needs are spread over various product categories: durable goods (preference for cars – Mercedes Benz); non durables (premium beverages such as Chivas Regal Scotch) and financial services (American Express Gold and Platinum Cards).

3. Psychographic Segmentation

In psychographic segmentation, buyers are divided into different groups on the basis of attitudes, values, lifestyles or personality. People within the same demographic group can exhibit very different psychographic profiles. Companies making cosmetics, alcoholic beverages, furniture, etc., are always seeking opportunities in lifestyle segmentation. But lifestyle segmentation does not always work. For example, Nestle introduced a special brand of decaffeinated coffee for "late nighters" and it failed. Likewise marketers have used personalities variables to segment markets. They endow their products with brand personalities that correspond to consumer personalities. In the late 1950s, Ford and Chevrolet (car brands) were promoted as having different personalities. Ford buyers were identified as independent, impulsive, masculine, alert to change and self-confident. Chevrolet owners were conservative, thrifty, prestige conscious, less masculine and seeking to avoid extremes. Some marketers segment by core values, the belief systems that underlie consumer attitudes and behaviour. Core values goes much deeper than behaviour or attitude and determine, at a basic level, people's choice and desires over the long term. Marketers who segment by values believe that by appealing to peoples' inner selves it is possible to influence their outer self i.e., their purchase behaviour. It has been shown by the researchers that people in different segments generally pursue different activities, buy different products and use different media. Knowing which segments dominate in a country helps the marketing efforts and enables advertisers to tailor their message to those parts of the population most likely to buy them.

4. Behaviour Segmentation

Behaviour segmentation focuses on whether or not people buy and use a product as well as how often, and how much they use it. Behavioural variables such as occasions, user status, usage rate, loyalty status, and buyer readiness stage enables the companies to segment the market accordingly.

Buyers can be distinguished according to the occasions for which they need to purchase a product or use a product. Occasion segmentation can help a firm expand product usage. For example, orange juice is usually consumed at breakfast. An orange juice company can try to promote drinking orange juice on other occasions such as lunch, dinner, mid-day. Markets can also be segmented into light, medium, and heavy product users. Heavy users are often a very small percentage of the market but account for a high percentage of total consumption. Further, heavy users often have common demographic, psychographic and media habits. The profile of heavy beer drinkers, for example, may show the following characteristics: working class, aged 25 to 50, heavy viewers of television, particularly sports programmes. These profiles can assist marketers in developing price, message and media strategies. Accordingly, the companies can prepare their promotional strategy to attract the heavy users. For example, in a beer advertisement for heavy drinkers the slogan used was "tastes great and less filling".

Markets can also be segmented into non-users, ex-users, potential users, first time users and regular users of a product. Thus blood banks must not rely only on regular donors to supply blood. They must recruit new first time donors and contact ex-donors and each will require a different marketing strategy. The company's market position will also influence its focus. Market leaders will focus on attracting potential users, whereas smaller firms will try to attract current clients of the market leaders.

An annual survey of consumer life styles, attitudes, and purchasing patterns of over 15,000 customers in 14 countries suggested classification of consumers into six distinct categories: strivers (28 per cent global average), achievers (22 per cent), adapters (18 per cent), traditionals (16 per cent), pressured (13 per cent), and unassigned (3 per cent). All six consumer classes were found to exist in almost all of the countries studied although segment

sizes varied widely among countries. There are disparities between countries in these categories. Fifty four per cent of all Germans are traditionalists and adapters, while in Spain 6 out of every 10 are achievers or strivers. The important point is the similarity within the same group in different countries. For example, the similarities between strivers in the United States, England, Australia and Finland are greater than the similarities between strivers and achievers in the United States.

This study combined attitudinal data with actual purchase behaviour to produce a segmentation system that can link attitudes and values with real-world consumer decisions. The differences that occurred in these groups were not demographically driven. If you look at baby boomers in the same age group with the same education, some are achievers who are health and nutrition conscious and others are strivers who could care less about nutrition. The two are totally different in their orientation and product use.

5. Benefit Segmentation

Markets could also be classified according to the benefits the consumers seek from a particular product. In one of the successful segmentations of the tooth paste market, four bases were reported: economy, medicinal, cosmetic and taste. Each benefit seeking group had particular demographic behavioural and psychographic characteristics. For example, decay prevention seekers had large families, were heavy tooth paste users and were conservatives. Each segment favoured certain brands. A toothpaste company can use these findings to focus its brand better and to launch new brands. Benefit segmentation of the tooth paste market has been specified in Table 1.

Table 4.1: Benefit Segmentation of Toothpaste Market

Benefit Segments	Demographic	Behaviouristic	Psychographic	Favoured brands
Economy (Low Price)	Men	Heavy Users	High Autonomy, Value oriented	Brands on sales
Medicinal (Decay prevention)	Large families	Heavy Users	Hypochondriac, conservative	Crest
Cosmetic	Teenagers, young adults	Smokers	High sociability, active	Medicine's Ultra bright
Taste (Good taste)	Children	Spearmint lovers	High self-involvement	Colgate

Source: Adapted from Russell J. Haley "Benefit Segmentation: A Decision Oriented Research Tool", Journal of Marketing, July 1963, pp. 30-35.

4.2.3 Essentials of Effective Segmentation

Having defined the market it becomes necessary for the company to identify the relevant segment. This is known as market segmentation. The process of segmentation must clearly lay down the niche in terms of measurability, accessibility, profitability and actionability. To be useful, international market segmentation must meet the following five requirements:

- a) **Measurability:** This involves identifying the market segment in terms of size, purchasing power and consumer behaviour. Since international markets are heterogenous, the concept of measurability has been flouted all too often. All the same, some effective criteria must be developed by the company.
- b) **Substantial or profitable:** Since the firm is an economic entity, it must make sure that the identified segments are profitable. The company must ensure that the size of the identified segment should be large enough to recover all costs. A segment should be the largest possible homogenous group which is attractive enough to be pursued with specific marketing programme. For example, it would not pay for an automobile manufacturer to develop cars for people who are shorter than four feet, since there may not be many such short persons.

- c) **Accessible:** It should be possible to effectively reach and serve the segment. How effectively can the company reach the identified segment must also be spelled out. Here again, the existence of heterogenous market makes the task more difficult.
- d) **Differentiable:** The segments should be conceptually distinguishable from each other, and should respond differently to different marketing mix elements and programmes. If married and unmarried women respond similarly to a sale of perfume, they do not constitute separate segments.
- e) **Actionable:** It should be possible to formulate effective marketing mix strategies for attracting and serving the segments. The last factor but, by no means the least, is actionability. Every identified segmentation should be capable of being captured through effective marketing programmes. If an identified segment cannot be tapped, it is useless from the point of view of the company, however, profitable it may be.

4.2.4 Advantages of Segmentation

The main advantage of market segmentation lies in a better understanding of the consumer needs and behaviour. In brief, market segmentation helps:

- Understand potential customers better
- Pay better attention to specific areas of marketing strategy
- Formulate marketing programmes more effectively
- Understand competition better
- Deploy marketing resources efficiently
- Promote the products more effectively
- Appropriate designing of the marketing mix
- In general, serve the customer better

Check Your Progress A

1. What is international market segmentation ?

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2. What is a market segment?

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3. State the main bases on which a marketing manager might segment his market.

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4. List the essential features of an effective segmentation.

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5. Look at the product categories given in the table given below. Identify two brands in each product category and state the segmentation strategy adopted for those brands.

Product Category	Identify Brands	Market segment covered by the brand
A. Cars		
B. Personal Computers		
C. Soap		
D. Magazine		

6. State whether the following statements are true or false.

- Different segments of a market demand the same product.
- Product differentiation and market segmentation mean one and the same.
- Demographic segmentation is based on measurable characteristics of population such as age, gender, occupation, etc.
- Various segments of a market respond differently to different market mix elements.
- Global segmentation it is possible to identify groups of consumers with similar wants and needs in multiple country markets.

4.3 INTERNATIONAL MARKET TARGETING

You have learnt that segmenting is the process by which groups of consumers with similar wants and needs are identified. After segmentation, the next step is to study each of the segments carefully and identify one or more segments where company can focus its marketing efforts. This process is called targeting. Thus, *targeting is the act of evaluating and comparing the identified groups and then selecting one or more of them with the highest potential.* A marketing mix is then devised to provide the organization with the best return on sales while simultaneously creating the maximum value of consumers.

4.3.1 Criteria for Targeting

There are three basic criteria for assessing opportunity in the international target markets. These criteria are: (a) current size of the market segment and anticipated growth potential, (b) competition, and (c) compatibility of the target with the company's overall objectives and the feasibility of successfully reaching it. Let us now discuss these criteria in more detail.

- Current size of the market segment and growth potential:** The market segment should be large enough to give the company opportunity to make reasonable profit. If it is not large or profitable today, it should have high growth potential so as to be attractive in terms of company's long term strategy. One of the advantages of targeting a market segment globally, even though it may be small, is that it could be served profitably with a standardized product if the segment exists in several countries.

- Potential competition:** A segment characterized by strong competition (present and potential) may be avoided.
- Compatibility and feasibility:** If the market segment is large and competition does not represent insurmountable obstacles, then the final consideration should be whether the company can marshal enough resources for advertising, distribution and other marketing expenditure to serve the segment effectively. Finally, the pursuit of the segment should be compatible with the company's overall goals and its competitive advantage.

4.3.2 Targeting Strategies

After evaluating the identified segments in terms of the criteria discussed above, the next step involves decision of the marketers on the appropriate marketing strategy. There are three basic types of target marketing strategies, as explained below:

- Undifferentiated international market targeting:** It is similar to mass marketing in a single country. The firm ignores market segment differences and goes after the whole market with one offer. This strategy focuses on basic buyer need rather than on differences among the buyers. Markets offer one basic product and tries to draw all buyers with one marketing programme. The design of the product and the marketing programme is such that it appeals to the broadest number of buyers. It relies on mass advertising and mass distribution. Undifferentiated marketing is the marketing counterpart to standardization and mass production in manufacturing. The narrow product line keeps down the costs of research and development, production, inventory, marketing research, advertising and product management. The company is able to translate its lower costs into lower prices to win the price sensitive segment of the market. Example: Coca-Cola offering the same soft drinks worldwide.
- Differentiated international market targeting:** Here the firm operates in several market segments and designs different marketing programmes (with multiple marketing mix offerings) to suit the different segments. Thus, it involves designing of separate products and marketing programmes for each segment. For example, General Motors does this when it claims that it produces a car for every purse, purpose and personality. Differentiated marketing increases the cost of doing business. Costs pertaining to product modification, manufacturing administration, inventory and promotion are higher. Companies should, therefore, be cautious about over segmenting their markets. At times, they may like to turn to counter segmentation to broaden the customer base. Example: Johnson & Johnson broadened its target market for its baby shampoo to include adults.
- Concentrated international market targeting:** This strategy is specially appealing when the company resources are limited. It involves devising a marketing mix on one product, one segment principle. Thus, the marketer concentrates all his efforts in one or a few lucrative segments only. Through concentrated marketing, the firm gains a strong knowledge of the segment's needs and achieves a strong market presence. Further, the firm enjoys scale economies through specialization in production, distribution and promotion. If segment leadership is captured, the firm can earn a high return on its investment. However, concentrated marketing involves higher than normal risks. A segment may turn sour resulting in steep fall in earnings or competition may invade the segment. That is why many companies prefer to operate in more than one segment. For example, a cosmetic company such as House of Lander targets the upscale prestige segment of the market.

In general, homogeneous markets are best exploited by undifferentiated marketing. The differentiated or concentrated marketing is adopted in the case of heterogeneous markets. The stage of the product in its life cycle is also a relevant factor in this regard. Undifferentiated marketing or concentrated marketing may be adopted to develop primary demand at the stage of introduction. Even the strategy of concentrated marketing may be employed at this stage. At the saturation stage, the differentiated marketing becomes necessary.

Check Your Progress B

1. What is international market targeting?

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2. State the target marketing strategies.

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3. Distinguish between differentiated and undifferentiated marketing targeting.

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4. Differentiate between undifferentiated and concentrated market targeting.

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4.4 INTERNATIONAL MARKET POSITIONING

After the global market has been segmented and one or more segments have been targeted, it becomes important to plan a marketing strategy to reach the target(s). To achieve this task, marketers use **positioning** as a process whereby a company establishes an image for its product in the minds of consumers relative to the image of competitors product offerings. Product positioning is a marketing strategy that attempts to occupy an appealing space in consumers' mind in relation to spaces occupied by the other competitive products. According to Al Ries and Jack Trout, "positioning starts with a product, a piece of merchandise, a service, a company, an institution, or even a person. But positioning is not what you do to a product. Positioning is what you do to the mind of the prospective consumers. That is you position the product in the mind of the prospective consumer". Well known products generally hold a distinctive position in consumer's minds. For example: *Coca-Cola* as world's largest soft drink company and *Porsche* as one of the world's best sports cars. These brands own these positions and it would be difficult for a competitor to claim the same position.

A product must be positioned carefully. Mazda erred in its initial attempt to sell its rotary-engine automobile as an economy car, when in fact it is a performance car.

Positioning decision provides guidelines for the marketing mix decision. It further helps to determine whether the product should be upgraded or simplified or new products or product variants should be developed to meet competition or differences in customer requirements in international markets. The positioning decision also suggests which attributes or customer benefits should be emphasized in advertising or promotional platforms, what type of role models or usage occasion should be featured and the nature of the product or brand image should be portrayed.

There are two approaches to positioning a product in the market:

- a) **Head to head positioning** involves competing directly with competitors on similar product attributes in the same target market. For example, Maruti's Baleno car coming head on with Honda City.
- b) **Differentiation positioning** involves seeking a less competitive, smaller market in which a brand is located. For example, McDonald's trying to appeal to the health conscious segment, introduced its low fat McClean Burger to avoid direct competition with Burger King. Companies also follow a differentiation positioning strategy among brands within their own product line to try to minimize the chances of cannibalization i.e., one brand cutting into the share of another brand.

Global positioning is most effective for product categories that approach either end of a "high-touch or high-tech" continuum. Both ends of the continuum are characterized by high levels of customer involvement and by a shared language among consumers. Let us discuss these two strategies in little more detail.

4.4.1 High-Tech Positioning

Personal computers, video and stereo equipment and automobiles are the examples of product categories where high-tech positioning has proved effective. Such products are purchased mainly on the basis of concrete product features, although image may also be important. Buyers typically already possess or wish to acquire considerable technical information. High-tech products may be divided into three categories: (1) technical products, (2) special interest products, and (3) demonstrable products.

- 1) **Technical products:** Computers, chemical and financial services are a few product categories whose buyers have specialized needs, require great deal of product information and share a common language. Marketing communication for high-tech products should be informative and should emphasize their attribution.
- 2) **Special interest products:** These products are less technical and more leisure-oriented and are characterized by shared experience and high involvement among users. Common language and symbols associated with such products transcend language and culture barriers. Adidas sports equipments and Canon cameras are examples of successful global special interest products.
- 3) **Products that demonstrate well:** Products that speak for themselves in advertising of features and benefits can be globally well positioned. For example, a Polaroid instant camera is highly demonstrable and is a successful global product.

4.4.2 High-Touch Positioning

Marketing of high-touch products requires less emphasis on specialized information and more emphasis on image. Like high tech products, high touch products are highly involving for consumers. Buyers of high touch products also share a common language and a set of symbols relating to themes of wealth, materialism and romance. The three categories of high touch products are:

- 1) **Products that solve a common problem:** Products in this category provide benefits linked to life's little moments. For example, an advertisement showing friends talking over a cup of coffee in a café puts the product at the centre of everyday life and communicates the benefit offered by that coffee brand in a way that is understood worldwide.

- 2) **Global village products:** Certain products such as designer fashions, mineral water and pizza have strong cosmopolitan positioning. Likewise, some products have global appeal by virtue of their country of origin. For example, in consumer electronics, Sony is a name synonymous with the much vaunted Japanese quality; in automobiles, Mercedes is the embodiment of legendary German engineering.
- 3) **Products that use universal themes:** Some advertising themes and product appeals are basic enough and are truly transnational. Additional themes are heroism (themes include rugged individuals), play (leisure/recreation), etc.

Some products could be positioned in more than one way within either the high tech or high touch poles of the continuum. A sophisticated camera could simultaneously be classified as technical and of special interest. When a product has been incorrectly positioned or the original position loses its appeal, the product should be repositioned. Canada Dry has repositioned its club soda as a stand-alone drink, which is a departure from its original position as a mixer.

Market segmentation and positioning should be used together. A study of how American and Japanese firms compete in the British market found that the Japanese have clear market segmentation and positioning strategies. Regarding market segments, the Japanese first entered the low end of the market before moving on to the mass market and eventually the high value-added end. Regarding positioning, the Japanese clearly focussed on quality, service and innovation. Compared with Japanese, British firms found emphasizing traditional brand names, while American firms found emphasizing product range and technology and less adoption to local market conditions.

Check Your Progress C

- 1. What is international market positioning?
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- 2. Differentiate between international market targeting and positioning.
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- 3. Differentiate between high-tech positioning and high-touch positioning.
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- 4. State whether the following statements are true or false.
 - a) In International market positioning, you attempt to position the product in the minds of the prospective customers.

- b) Head to head positioning seeks a less competitive market in which a brand is located.
- c) Market communication for high-tech products should be informative and should emphasize their attributes.
- d) Special interest products are less technical and more leisure oriented.
- e) Marketing of high-touch products require the most emphasis on specialized information and the least emphasis on image.

4.5 LET US SUM UP

The global environment must be analyzed before a company intends to expand its markets. Through international market segmentation, similarities and differences among potential buyers can be identified and grouped. Demographics, psychographics, behavioural characteristics and benefits sought are common attributes used to segment world markets. After marketers have identified segments, the next step is targeting, wherein the identified groups are evaluated and compared and the prospect with the greatest potential is selected. In evaluating segments, marketers look at the segments attractiveness indicators and the company's directions and resources. After evaluating the identified segments, marketers have to decide on appropriate targeting strategy. The three basic categories of global target marketing strategies are undifferentiated marketing, concentrated marketing and differentiated marketing. Finally, companies have to plan ways to reach their chosen target market(s) by determining the best positioning for their product offerings. Here the marketers devise an appropriate marketing mix to set the product in the mind of the potential buyers in the target market. There are two international market positioning strategies: (a) high-tech positioning, and (b) high-touch positioning.

4.6 KEY WORDS

Concentrated International Marketing: Devising a marketing mix on one product one segment principle.

Differentiated International Marketing: Focuses on different buyer needs in different segments wherein the firm designs different marketing programmes with multiple marketing mix offerings.

Market Segmentation: It is the process of identifying groups or set of potential customers at national or international level who exhibit similar buying behaviour.

Positioning: A process whereby a company establishes an image for its product in the minds of consumers relative to the image of competitor's product offering.

Targeting: Act of evaluating and comparing the identified groups and then selecting one or more of them as prospects with highest potential.

Undifferentiated International Marketing: Focuses on basic buyer need rather than on differences among the buyers thus enabling the firm to have one offer for the whole market.

4.7 ANSWERS TO CHECK YOUR PROGRESS

- A. 6 a) False b) False c) True d) True e) True
- C. 4 a) True b) False c) True d) True e) False

4.8 TERMINAL QUESTIONS

1. What is the relationship between market segmentation, market targeting and product positioning?
2. Discuss the importance of market segmentation in marketing decisions and explain the bases of market segmentation.
3. What are the elements that influence in deciding the principles of segmentation and what will be the suitable base for marketing of Television in various countries? Also suggest the marketing strategies to be followed.
4. What are the different market targeting strategies? Explain them with appropriate examples.
5. "Global positioning is most effective for product categories that approach either end of 'high-touch/high-tech' continuum". Elaborate.

UNIT 5 FOREIGN MARKET SELECTION

Structure

- 5.0 Objectives
- 5.1 Introduction
- 5.2 Screening International Marketing Opportunities
- 5.3 Criteria for Selecting Target Countries
 - 5.3.1 Market Size and Growth
 - 5.3.2 Political Environment
 - 5.3.3 Legal Conditions
 - 5.3.4 Social and Cultural Conditions
- 5.4 The Process of Market Selection
- 5.5 Let Us Sum Up
- 5.6 Answers to Check Your Progress
- 5.7 Terminal Questions

5.0 OBJECTIVES

After studying this unit, you should be able to:

- discuss the need for a firm to be selective in choosing markets for export
- state the process of export market selection
- explain the criteria to be used in selecting export markets

5.1 INTRODUCTION

As you know, the first step in the international market selection process is segmentation, targeting and positioning. This you have already studied in Unit 4. The second step is collection of relevant data on each country (for the selected segment), analyze it, filter out less promising countries and select the most promising countries. All these aspects are discussed in this unit.

This unit has been developed to highlight the need for a firm to choose its export markets judiciously. The different criteria that may be used in the location process as well as illustrations of the relevance of the criteria in the relation of markets are provided in the unit.

5.2 SCREENING INTERNATIONAL MARKETING OPPORTUNITIES

Global trade in merchandise has grown significantly during the last five decades and during 1999, it was estimated to be more than US\$4.5 trillion at current value. As on February 2001, there were 140 countries who were members of the World Trade Organization (WTO) besides countries like People's Republic of China and the Russian Federation which were not members of WTO. Initially millions of products are traded across national boundaries of countries every year and the number of companies engaged in foreign trade operations is also growing. This does not, however, mean that all products can be sold to all countries at all times by a company. Apart from the fact that it will be practically impossible given the resource constraints a company or country will face in trying to sell more than a limited number of products to a limited number of countries. Reliable and up dated data and information may not be available in respect of a number of countries to enable a firm to arrive at the right conclusion. It may not also be advisable to fritter away the scarce resources of a firm on attempts to export an unmanageable number of products and/or to unmanageable number of countries. Taking into account the strengths and weakness of a firm and the opportunities and threats in the trading environment, it would be advisable for the firm to