













# **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 withincountry 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

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## **Demographic Facts and Trends**

- In India, the number of people under the age of 14 is greater than the entire US population
- In the EU, the number of consumers aged 16 and under is rapidly approaching the number of consumers aged 60-plus
- By 2030, 20% of Americans will be over 65
- African-, Asian-, and Hispanic-Americans have a \$2.5 trillion buying power

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# **Global Market Segmentation**

- DemographicsPsychographics
- Behavioral
- characteristicsBenefits sought

Skiing became a sport in Norway where it was invented 4,000 years ago.

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#### **Demographic Facts and Trends**

- A widening age gap exists between the older populations in the West and the large workingage 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

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# **Demographic Segmentation**

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



What are the trends?

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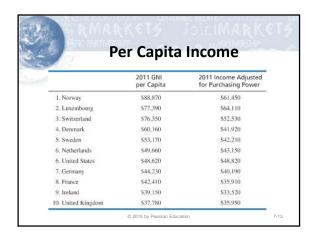


# Segmenting by Income and Population

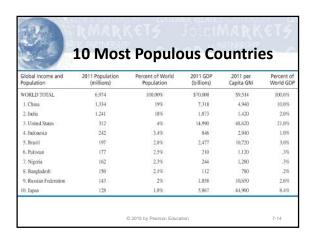
- Income is a valuable segmentation variable
  - 2/3s of world's GNP is generated in the Triad but only 12% of the world's population is in the Triad
- · Do not read into the numbers
  - Some services are free in developing nations so there is more purchasing power
- For products with low enough price,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

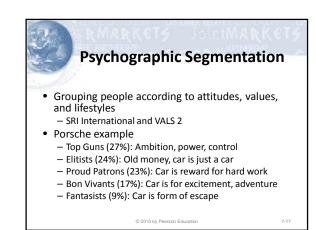
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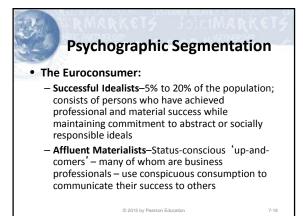














### **Psychographic Segmentation**

- The Euroconsumer:
  - Comfortable Belongers
    - 25% to 50% of a country's population
    - conservative
    - most comfortable with the familiar
    - content with the comfort of home, family, friends, and community
- Disaffected Survivors
  - lack power and affluence
  - harbor little hope for upward mobility
  - · tend to be either resentful or resigned
  - · concentrated in highcrime urban inner city
  - · attitudes tend to affect the rest of society



### **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



# **Psychographic Segmentation:** Sony's U.S. Consumer Segments

Segment	Description
Affluent	High-income consumers
CE Alphas	Early adopters of high-tech consumer electronics products irrespective of age
Zoomers	55 years old or older
SoHo	Small office/home office
Families	35 to 54 years old
Young professionals/D.I.N.K.S.	Dual income, no kids, 25 to 34 years old
Gen Y	Younger than 25 years old (includes tweens, teens, college students)



# **Ethnic Segmentation**

- The population of many Hispanic Americans countries includes ethnic groups of significant size
- Three main groups in the U.S. include African-Americans, Asian-Americans, and **Hispanic Americans**
- - 50 million Hispanic Americans (14% of total pop.) with \$978 billion annual buying power
  - "\$1 trillion Latina" 24 million Hispanic women: 42% single, 35% HOH,





#### **Behavior Segmentation**

- Focus on whether people purchase a product or not, how much, and how often they use it
- User status
- 80/2 Rule or Law of Disproportionality or Pareto's Law-80% of a company's revenues are accounted for by 20% of the customers

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### **Assessing Market Potential**

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

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### **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

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#### **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?

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# 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?

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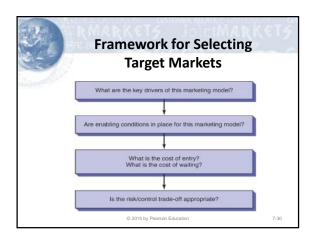
## **Feasibility and Compatibility**

- 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?

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#### 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?

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#### **Target Market Strategy Options**

- Concentrated Global Marketing
  - Niche marketing
  - Single segment of global market
  - Look for global depth rather than national breadth
  - Ex.: Chanel, Estee Lauder
- Differentiated Global Marketing
  - Multi-segment targeting
  - Two or more distinct markets
  - Wider market coverage
  - Ex.: P&G markets Old Spice and Hugo Boss for Men

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#### **Product-Market Decisions**

- Review current and potential products for best match for country markets or segments
- Create a matrix with countries and products to help with analysis

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#### **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



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# Target Market Strategy Options

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

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#### **Positioning**

- Attribute or Benefit
  - Economy
  - ReliabilityDurability
- BMW: The Ultimate Driving Machine or
   Visa: It's Everywhere You Want To Be
- Foreign Consumer Culture Positioning: Focus on import benefits
- Quality and Price
  - Continuum from high price/quality and high price to good value
- Stella Artois beer: Reassuring Expensive
- FCCP: Grey Goose (France), Ketel One (the Netherlands)

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