Global Segmentation and Positioning
Chapter Overview

1. Reasons for International Market Segmentation
2. International Market Segmentation Approaches
3. Segmentation Scenarios
4. Bases for Country Segmentation
5. International Positioning Strategies
6. Global, Foreign, and Local Consumer Culture Positioning

Appendix
Introduction

• Variation in customer needs is the primary motive for market segmentation.
• Most companies will identify and target the most attractive market segments that they can effectively serve.
• In global marketing, market segmentation becomes especially critical because of wide divergence in cross-border consumer needs and lifestyles.
• Once the management has chosen its target segments, management needs to determine a competitive positioning strategy for its products.
1. Reasons for International Market Segmentation

Segments ideally should possess the following set of properties:

a. Identifiable—be easy to define and to measure.
b. Sizable—large enough to be worth going after.
c. Accessible—easy to reach through the media.
d. Stable—must be stable over a long period of time.
e. Responsive—the segments respond differently from each other.
f. Actionable—should be actionable.
Major reasons why international marketers implement international market segmentation

a. **Country Screening.** Companies usually do a preliminary screening of countries before identifying attractive market opportunities for their product or service.
   1). Primary and secondary data can be used.
   2). Different criteria will be used to screen countries, depending on the nature of the product.

b. **Global Market Research.**
   1). Companies increasingly make an effort to design products or services that meet the needs of customers in different countries.
   2). Standardization versus adaptation must be considered.
   3). The key question is which countries to choose for the marketing effort.
      a). Group by clusters based on homogeneous characteristics and choose a prototypical member from each group.
      b). Research efforts will be concentrated on this key member initially.
Major reasons why international marketers implement international market segmentation – Cont.

c. Entry Decisions.
   1). The strategic logic of many entry decisions is to launch products in countries that in some regards are highly similar to the country where the product has already been introduced.

d. Positioning Strategy.
   1). Segmentation decisions are instrumental in setting the company’s product positioning strategy.
   2). The company must decide on how it wants to position its products or services in the mind of the prospective target customers.
Major reasons why international marketers implement international market segmentation – Cont.

e. Resource Allocation.

1. Market segmentation will also be useful in deciding how to allocate the company’s scarce marketing resources across different countries and markets.

f. Marketing Mix Policy.

1. Segmentation and positioning decisions will dictate a firm’s marketing mix policy.

2. One difficulty is how to balance standardization versus customization.

3. Strategies for each element of the marketing mix have to be carefully thought out.
1. Reasons for International Market Segmentation

**EXHIBIT 7-1**
**Market Clustering Approach for Instant Coffee**

- Per Capita Coffee Consumption vs. Cluster Approach
- Developed Challenger vs. Developed Leader
- Developing Challenger vs. Developing Leader
- 360 cups
- In-Home Soluble Share of Total Coffee Consumption
1. Reasons for International Market Segmentation

**Exhibit 7-2**
"Think" and "Feel" Country Clusters

![Graph showing countries clustered based on think and feel dimensions](image)
2. International Market Segmentation Approaches

- **International segmentation procedures:**
  - Country-as-segments or aggregate segmentation (macro-segmentation)
  - Disaggregate international consumer segmentation (micro-segmentation)
  - Two-stage international segmentation: (1) Macro segmentation and then (2) micro-segmentation.

- The standard country segmentation procedure classifies prospect countries on a single dimension (e.g., per capita GNP) or on a set of multiple socioeconomic, political, and cultural criteria available from secondary data sources.

- When there are numerous country traits, use smaller set of dimensions using data reduction techniques such as factor analysis.
Macro-Segmentation: Segmenting the counties

Nestle’s Geographic Segmentation of the Americas

Structure of Zone Americas

- United States
  - Nestlé USA (Glendale)
  - Nestlé Brands Co. (Glendale)
  - Nestlé Prepared Foods Co. (Solon)
  - Nestlé Purina Petcare Co. North America (St. Louis)

- Canada
  - (North York)

- Caribbean Region
  - (DOMINICAN REPUBLIC, Puerto Rico, Jamaica, Trinidad & Tobago, Cuba, & Caribbean Islands)

- Mexico
  - (Mexico City)

- Central American Region
  - (PANAMA, Guatemala, El Salvador, Costa Rica, Nicaragua, & Honduras)

- Austral-America Region
  - (CHILE, Argentina, Peru, Paraguay, Bolivia, & Uruguay)

- Bolivarian Region
  - (COLOMBIA, Venezuela & Ecuador)

- Brazil
  - (Sao Paulo)

Source: Nestle
4. Bases for Country Segmentation

- Demographics
  - Demographics variables are among the most popular criteria.

- Socioeconomic Variables
  - Caveats in using per capita income as an economic development indicator:
    - Monetization of transactions within a country: 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 Market sections of the economy
    - Income disparities within countries
  Alternatives for GDP as indicator of socio-economic variable:
    - Purchasing Power Parity (PPP) criteria
    - Socioeconomic Strata (SES) Analysis
    - Human development index (HDI) classification
# Bases of Macro-segmentation

## Exhibit 7-3
**Macro-level Country Characteristics**

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

- Universal or global segments
- Regional segments
- Unique (diverse) segments
4. Bases for Country Segmentation

- Behavior-Based Segmentation
- Lifestyles
  - Global Values Segments; the survey investigated 1000 consumers in 35 countries (source: *Robert Starch Worldwide*):
    - Strivers (23 percent)
    - Devouts (22 percent)
    - Altruists (18 percent)
    - Intimates (15 percent)
    - Fun Seekers (12 percent)
    - Creatives (10 percent)
### 4. Bases for Country Segmentation

**EXHIBIT 7-7**

**LATIN AMERICAN MARKETS: MANY LATIN HOUSEHOLDS HAVE LOTS OF SPENDING MONEY. (PERCENT DISTRIBUTION OF SELECTED LATIN AMERICAN COUNTRIES BY SES SEGMENTS, 1994)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Upper Class</th>
<th>Middle-to-Upper Class</th>
<th>Middle Class</th>
<th>Lower Class and Subsistence Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>2%</td>
<td>9%</td>
<td>35%</td>
<td>55%</td>
</tr>
<tr>
<td>Brazil</td>
<td>3</td>
<td>16</td>
<td>29</td>
<td>53</td>
</tr>
<tr>
<td>Chile</td>
<td>2</td>
<td>6</td>
<td>42</td>
<td>50</td>
</tr>
<tr>
<td>Colombia</td>
<td>2</td>
<td>8</td>
<td>37</td>
<td>53</td>
</tr>
<tr>
<td>Ecuador</td>
<td>2</td>
<td>15</td>
<td>22</td>
<td>61</td>
</tr>
<tr>
<td>Mexico</td>
<td>2</td>
<td>12</td>
<td>30</td>
<td>56</td>
</tr>
<tr>
<td>Paraguay</td>
<td>3</td>
<td>12</td>
<td>34</td>
<td>51</td>
</tr>
<tr>
<td>Peru</td>
<td>3</td>
<td>8</td>
<td>33</td>
<td>56</td>
</tr>
<tr>
<td>Uruguay</td>
<td>8</td>
<td>20</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Venezuela</td>
<td>1</td>
<td>4</td>
<td>36</td>
<td>59</td>
</tr>
</tbody>
</table>
5. International Positioning Strategies

• The formulation of a positioning strategy (local or global) includes the following steps:
  1. Identify the relevant set of competing products or brands.
  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.
  6. Over time, monitor the effectiveness of your positioning strategy and if needed, conduct an audit.
Positioning Map - Cosmetics

- High Utility & Performance
- Low Utility & Performance
- Premium
- Pocket Friendly

Brands:
- Yves Saint Laurent
- Dior
- MAC
- The Body Shop
- L'Oréal
- Revlon
- Maybelline
- Avon
- Lotus
- Elle 18

By: Cherry Malhotra
PGDM-2
5. International Positioning Strategies

• Uniform vs. Localized Positioning Strategies
• Universal Positioning Appeals
  – Positioning themes:
    • Specific product features/attributes
    • Product benefit, solutions for problems
    • user category
    • user application
    • heritage
    • lifestyle
6. Global, Foreign, and Local Consumer Culture Positioning

- **Global consumer culture positioning (GCCP)**
  - This strategy tries to project the brand as a symbol of a given global consumer culture.

- **Local consumer culture positioning (LCCP)**
  - Brand may be global, but it is portrayed as an intrinsic part of the local culture, being consumed by local people, and achieved a multi-local status (Mac Sate, Daihatsu Taruna, Toyota Kijang).

- **Foreign consumer culture positioning (FCCP)**
  - 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).
1. Under what conditions should companies pursue universal market segments?

Marketers should pursue universal market segments when characteristics or segments are found that transcend national borders. Marketers appealing to universal segments have two approaches to reach their targets. One option is to adopt a largely standardized strategy. Alternatively, they might go for a country-tailored strategy that recognizes differences between various countries. The undifferentiated approach will lead to economies of scale. The country-tailored approach (a differentiated strategy) often creates more demand and is more market-oriented.
2. What are the major issues in using per capita GDP or GNP as a country segmentation criterion?

One method of segmenting countries is to use monetization of transactions within a country (a socio-economic variable). To compare measures such as per capita GNP across countries, figures based on a local currency need to be translated into a common currency. However, official exchange rates seldom reflect the purchasing power parity (PPP) of a currency. So, income figures based on GNP or GDP do not really tell one how much a given household in a given country is able to buy.

The PPP (especially in countries with wide income disparity) protects against the shortcomings of the standard “per capita income” segmentation measures. Another method is the Socio-Economic Strata analysis (SES). Under this method, income classes are created and studied.
3. Discuss the weaknesses of lifestyle-based segmentation schemes. For what kind of applications would lifestyle segmentation be appropriate?

Using this method, segmentation occurs on a consumer’s attitudes, opinions, and values. This is a popular method in advertising circles, however, some of these schemes can be very general and not related to a specific product category.

Lifestyle segmentation has been applied to the positioning of new brands, the repositioning of existing ones, identifying new product opportunities, and the development of brand personalities. Concerns are that: a) values are too general to relate to consumption patterns or brand choice behavior within a specific product category; b) value-based segmentation schemes are not always “actionable;” c) value segments are not stable since values typically change over time; d) their international applicability is quite limited since lifestyles vary greatly.
4. Sometimes local brands use a global consumer culture positioning approach. Explain.

Since GCCP strategy tries to project the brand as a symbol of a given global consumer culture, it is not surprising that local brands use this method to appeal to their clientele. By using GCCP, local manufacturers aim at bringing a global local culture to their products which capitalizes the cosmopolitan image and brand familiarity. The GCCP’s positioning strategy is used by many manufacturers overseas.