International market selection (IMS)

Segmentation and targeting

http://wps.pearsoned.co.uk/ema_uk_he_hollensen_essglobmark_1/99/25468/6519957.cw/index.html

Most information in this presentation are from the source: Hollensen, Global Marketing 4e, Pearson Education 2008.
IMS and segmentation

- Which market/s to enter? (cca 200 countries)
- What the „right market“ to enter is?
- What is „international market“?
  1. a country or a group of countries
  2. a group of customers with nearly the same characteristics (from several countries)

Market opportunities:

- Existing markets
- Latent markets – recognized potential
- Incipient markets – market does not exist now - indication/trends – future emergence of need
Uppsala model of the internationalization process

THE FIRM
- Degree of internationalization and overseas experience
- Size/amount/quality of resources
- Type of industry/nature of business
- Internationalization goals
- Existing networks of relationships

INTERNATIONAL MARKET SEGMENTATION

INTERNATIONAL MARKET SELECTION

THE ENVIRONMENT
- International industry structure
- Degree of the internationalization of the market
- Host country:
  - Market potential
  - Competition
  - Psychis/geographic distance
  - Market similarity
Market screening (segmentation) model

Selection of the relevant segmentation criteria →
Development of the appropriate segments →
Screening of segments to narrow down the list of markets/countries →
Choice of target markets →
Microsegmentation: develop segments in each qualified country or across countries →
Market entry – how many markets, when, how - sequences
### General characteristics

- Geographic – **PRIMARY** - clustering
- Language – communication + patterns of thoughts
- Political factors – regulations, stimuli…
- Demography – age, gender…
- Economy – development, income…
- Industrial structure – Poland and Finland?
- Technology
- Social organization – family, classes…
- Religion
- Education – literacy, knowledge, skills…

### Specific characteristics

- Cultural
- Lifestyle
- Personality
- Attitudes and tastes

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#### High degree of measurability, accessibility and actionability

- **Measurability** = the degree to which the size and purchasing power of resulting segments can be measured
- **Accessibility** = the degree to which the resulting segments can be effectively reached and served
- **Profitability/substantiality** = the degree to which the segments are sufficiently large and/or profitable
- **Actionability** = the degree to which segments has sufficient resources to formulate effective marketing programmes and make things happen

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#### Low degree of measurability, accessibility and actionability (but high degree of relevance)
Screening of markets/segments – preliminary screening

- According to external criteria (= the state of market) - macro-oriented methods:
  - A) PESTLE + 5 (6) comp. Forces (PORTER)
  - B) RISK
    Business Environment Risk Index (BERI) [http://www.beri.com/](http://www.beri.com/) (e.g. political stability, economic growth, labour costs/productivity, communications, profess. services and contractors…)
    The Goodnow and Hansz temperature gradient – country’s environmental factors rated on a temperature gradient (…legal barriers, cultural unity…)
      ……The Economist, own risk evaluation…
  - C) shift-share approach — „…the average growth rate of imports for a particular product for a basket of countries is calculated, then each country’s actual growth rate is compared with the average growth rate. The difference identifies growing or declining markets…“ Hollensen, p. 252)

[http://www.andrew.cmu.edu/user/jp87/URED/readings/Shift_Share.pdf](http://www.andrew.cmu.edu/user/jp87/URED/readings/Shift_Share.pdf)
Screening of markets/segments – preliminary or/and fine-grained screening – clustering example (Western European market)
Screening of markets/segments – fine-grained screening - e.g. GE matrix – market attractiveness/competitive strength

### Market/country attractiveness
- Market size and growth (total and segments)
- Buying power
- Market seasons and fluctuations
- Average industry margin
- Competitive conditions (concentration, intensity, entry barriers…)
- Market prohibitive conditions and government regulations
- Infrastructure
- Economic and political stability
- Psychic distance

### Competitive strength
- Market share
- Marketing ability and capacity (country specific know-how)
- Products fit to market demand
- Price
- Contribution margin
- Image
- Technology position
- Product quality
- Market support
- Quality of distribution and service
- Financial resources
- Access to distribution channels

**Country-of-origin image**
The market attractiveness/competitive strength matrix

- **Invest/grow**: A countries
- **Dominate/divest joint venture**: B countries
- **Selectivity strategies**: C countries
- **Harvest/divest combine/licence**
SEGMENTING MARKETS WITHIN COUNTRIES

- Similar structure of demand and customer/consumer habits
- Demographic/economic factors
- Lifestyles (Activities, Interests, Opinions)
- Costumer/consumer motivations
- Buyer behaviour – e.g. benefit sought, loyalty patterns, information search behaviour, product characteristics required...
- etc.
- CULTURAL AFFINITY ZONES – SOCIO-DEMOGRAPHICS

CHARACTERISTICS – same anywhere?
Example of IMS process
Unilever’s global portfolio

Product busin.

Product categ.

f

Mk/ SBU A

H

MkA

foods

detergents

Specialty chemicals

MkA

H

Product categ.

Ice-cream

Frozen foods

Meal sauces

cheeses

regions

N. America

Europe

Asia

L. America

brands

Solero

Magnum

Carte d’Or

Ranieri

countries

Germany

UK

France

Denmark

Greece

MA – market attract.

CA – comp. Strength

H-high

L-low
Ahold worldwide

United States

Europe

Latin America

Asia