



International market selection (IMS)

Segmentation and targeting

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



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

INTERNATIONAL MARKET SELECTION

INTERNATIONAL MARKET SEGMENTATION

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

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

the firm

environment

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

Segmentation criteria

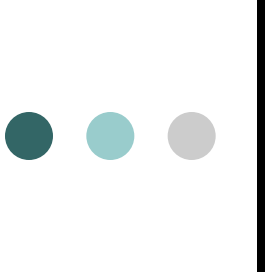
General characteristics

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

- **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
- **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/> (e.g. political stability, economic growth, labour costs/productivity, communications, profess. services and contractors...)

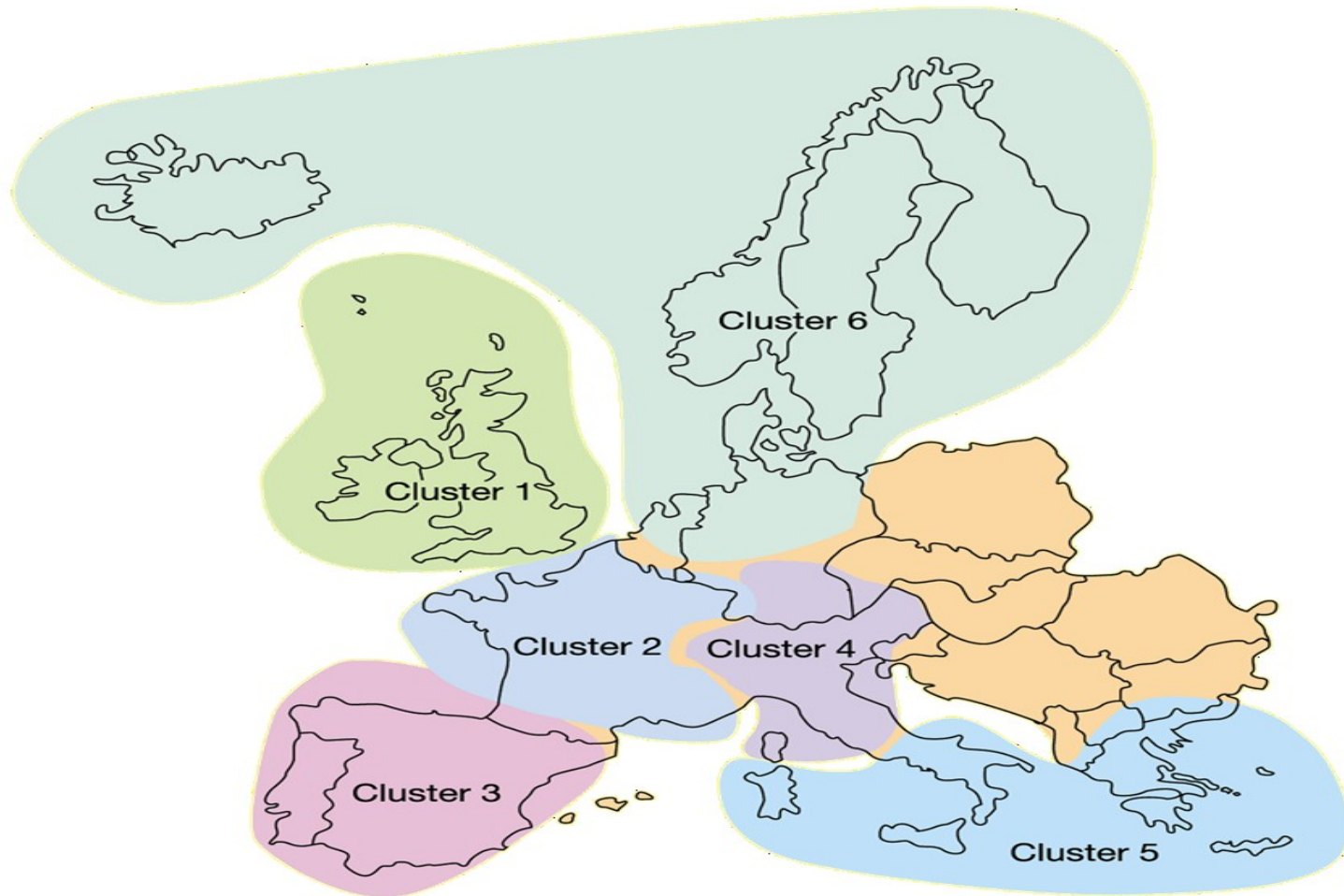
The Goodnow and Hansz temperature gradient – country's environmental factors rated on a temperature gradient (...legal barriers, cultural unity...)


.....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

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

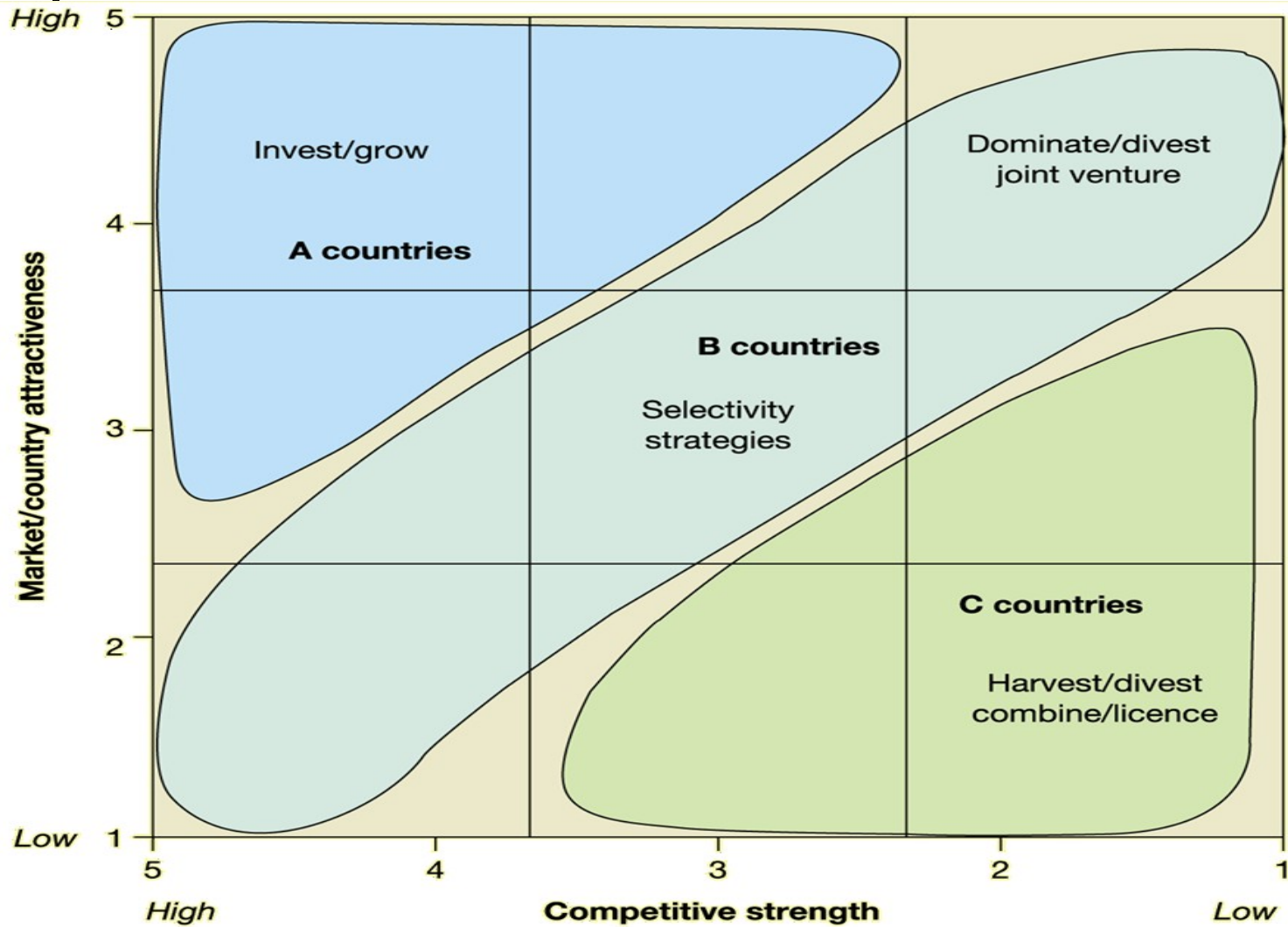
- Market size and growth (total and segments)
- Buying power
- Market seasons and fluctuations
- Average industry margin
- Competitive conditions (concentration, intensity, entry barriers...)
- Market prohibitive conditions and government regulations
- Infrastructure
- Economic and political stability
- 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



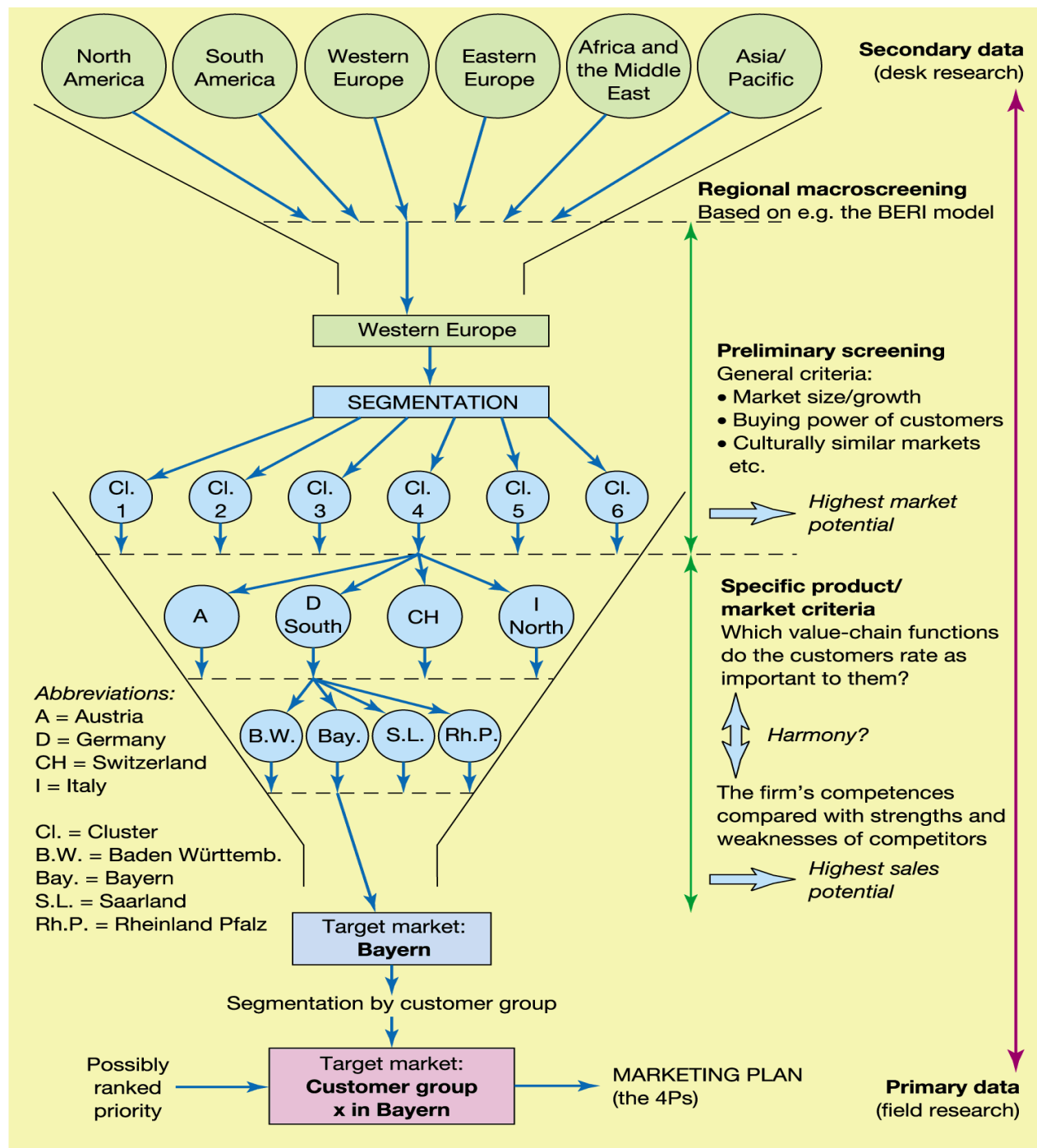
SEGMENTING MARKETS WITHIN COUNTRIES

- Similar structure of demand and customer/consumer habits
- Demographic/economic factors
- Lifestyles (Activities, Interests, Opinions)
- Customer/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?**

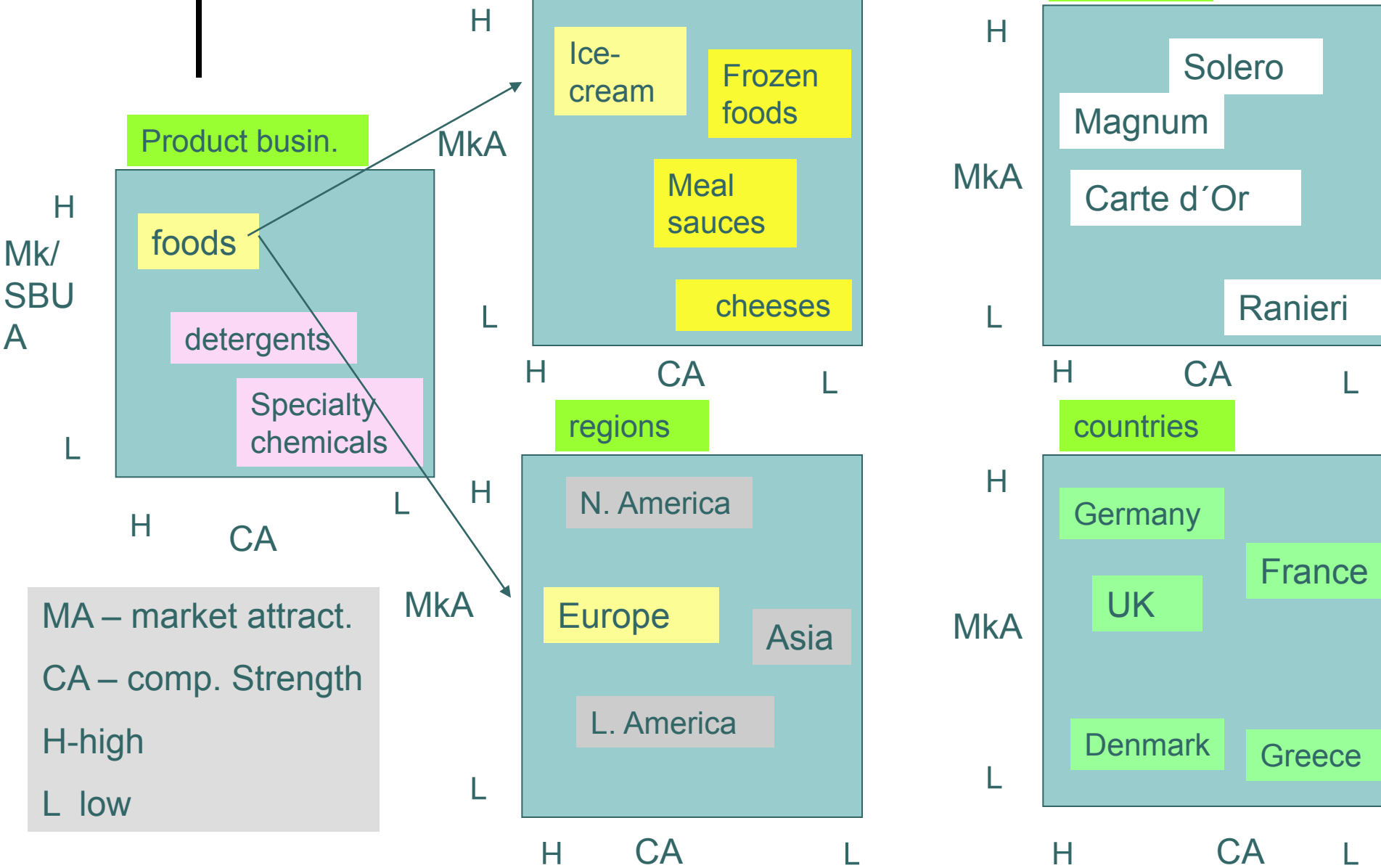




Example of IMS process



Unilever's global portfolio



Ahold worldwide

