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Global Information Systems and Market Research

For years, Coach was known as a purveyor of sturdy, long-lasting leather goods. Although many professional women appreciated the conservative styling of the signature Coach bag, they did not necessarily regard Coach's accessories as must-have fashion items. Today, the Coach brand is viewed as cutting-edge, and in key countries such as Japan, Coach's share of the luxury fashion accessories market has doubled and tripled. The company has become particularly adept at creating and marketing new types of handbags for various occasions. In an industry dominated by Prada, Gucci, Chanel, and other luxury brands whose bags can sell for hundreds of dollars, Coach pioneered the concept of "accessible luxury." How has Coach CEO Lew Frankfort accomplished this transformation? For one thing, the company's varied distribution channels and network of factories in more than one dozen countries means that its products cost an average of 40 percent less than those of competitors. But price is only part of the story; marketing information systems and extensive consumer research are equally important. Company executives rely on daily feedback from department stores, the company's stand-alone boutiques, the Coach Web site, and factory outlet stores. In addition, new designs are test-marketed with an obsessive focus on "the numbers." As Reed Krakoff, Coach's head designer for handbags and accessories, explains, "When something doesn't sell, I never say, 'Well, people didn't understand it.' If people don't understand it, it doesn't belong in the store."

Coach's resurgence in the competitive fashion goods business shows how information about buyer behavior and the overall business environment is vital to effective managerial decision making. When researching any market, marketers must know where to go to obtain information, what subject areas to investigate and information to look for, the different ways to acquire information, and the various analysis approaches that will yield important insights and understanding. However, similar challenges are likely to present themselves wherever the marketer goes. It is the marketer's good fortune that a veritable cornucopia of market information is available on the Internet. A few keystrokes can yield literally hundreds of articles, research findings, and Web sites that offer a wealth of information about particular country markets. Even so, marketers must do their homework if they are to make the most of modern information technology. First, they need to understand the importance of information technology and marketing information systems as strategic assets. Second, they should have a general understanding of the formal market research process. Finally, they should know how to manage the marketing information collection system and the marketing research effort. These topics are the focus of this chapter.



Japan is Coach's second-largest market, representing about 20 percent of global sales. The company's \$500 handbags are especially popular with young Japanese women. Now Coach chairman and chief executive Lew Frankfort wants to elevate the brand's image among its core customers. To accomplish this, Coach has launched a new upscale line, Legacy, in Japan; Legacy stores have been created inside existing Coach retail locations, including the largest Tokyo store.

INFORMATION TECHNOLOGY FOR GLOBAL MARKETING

The phrase **information technology (IT)** refers to an organization's processes for creating, storing, exchanging, using, and managing information. For example, a **management information system (MIS)** provides managers and other decision makers with a continuous flow of information about company operations. MIS is a general term that can be used in reference to a system of hardware and software that a company uses to manage information. (The term can also be used to describe an IT department; in this case, it refers to people, hardware, and software.) An MIS should provide a means for gathering, analyzing, classifying, storing, retrieving, and reporting relevant data. The MIS should also cover important aspects of a company's external environment, including customers and competitors. Global competition intensifies the need for an effective MIS that is accessible throughout the company. As Jean-Pierre Corniou, chief information officer (CIO) at Renault, noted:

My vision is to design, build, sell, and maintain cars. Everything I do is directly linked to this, to the urgent need to increase turnover, margins, and brand image. Every single investment and expense in the IT field has to be driven by this vision of the automotive business.¹

Caterpillar, GE, Boeing, Federal Express, Diageo, Ford, and Texas Instruments, and many other companies with global operations have made significant investments in IT in recent years.

Such investment is typically directed at upgrading a company's computer hardware and software. Microsoft, Sun Microsystems, SAP, Oracle, and IBM are some of the beneficiaries of this trend. All are global enterprises, and many of their customers are global as well. Vendors of complex software systems can find it difficult to achieve 100 percent customer satisfaction. Thomas Siebel, founder of Siebel Systems, explains how his company met this challenge:

Siebel Systems is a global company, not a multinational company. I believe the notion of the multinational company—where a division is free to follow its own set of business rules—is obsolete, though

¹ Jean-Pierre Corniou, "Bringing Business Technology out into the Open," *Financial Times—Information Technology Review*, September 17, 2003, p. 2.

there are still plenty around. Our customers—global companies like IBM, Zurich Financial Services, and Citicorp—expect the same high level of service and quality, and the same licensing policies, no matter where we do business with them around the world. Our human resources and legal departments help us create policies that respect local cultures and requirements worldwide, while at the same time maintaining the highest standards. We have one brand, one image, one set of corporate colors, one set of messages, across every place on the planet.²

In 2006, Siebel merged with Oracle.

Unlike the public Internet, an **intranet** is a private network that allows authorized company personnel or outsiders to share information electronically in a secure fashion without generating mountains of paper. Intranets allow a company's information system to serve as a 24-hour nerve center, enabling Amazon.com, Dell, and other companies to operate as *real time enterprises* (RTEs). The RTE model is expected to grow in popularity as wireless Internet access becomes more widely available.

An **electronic data interchange (EDI)** system allows a company's business units to submit orders, issue invoices, and conduct business electronically with other company units as well as outside companies. One of the key features of EDI is that its transaction formats are universal. This allows computer systems at different companies to speak the same language. Wal-Mart is legendary for its sophisticated EDI system; for years, vendors received orders from the retailer on personal computers using dial-up modems connected to third-party transmission networks. In 2002, Wal-Mart informed vendors it was switching to an Internet-based EDI system. The switch saves both time and money; the modem-based system was susceptible to transmission interruptions, and the cost was between \$0.10 and \$0.20 per thousand characters transmitted. Any vendor that wishes to do business with Wal-Mart in the future must purchase and install the necessary computer software.³

Poor operating results can often be traced to insufficient data and information about events both inside and outside the company. For example, when a new management team was installed at the U.S. unit of Adidas AG, the German athletic shoe maker, data were not even available on normal inventory turnover rates. A new reporting system revealed that archrivals Reebok and Nike turned inventories five times a year, compared with twice a year at Adidas. This information was used to tighten the marketing focus on the best-selling Adidas products. Benetton SpA's use of MIS as a strategic competitive tool is described later. In Japan, 7-Eleven's computerized distribution system also provides it with a competitive advantage in the convenience store industry. Every 7-Eleven store is linked with each other and with distribution centers. As one retail analyst noted:

With the system they have established, whatever time you go, the shelves are never empty. If people come in at 4 AM and the stores don't have what they want, that will have a big impact on what people think of the store.⁴

Globalization puts increased pressure on companies to achieve as many economies as possible. IT provides a number of helpful tools. As noted previously, EDI links with vendors to enable retailers to improve inventory management and restock hot-selling products in a timely, cost-effective manner. In addition to EDI, retailers are increasingly using a technique known as **efficient consumer**

² Bronwyn Fryer, "High-Tech the Old-Fashioned Way: An Interview with Tom Siebel of Siebel Systems," *Harvard Business Review*, March 2001, pp. 118–125.

³ Ann Zimmerman, "To Sell Goods to Wal-Mart, Get on the Net," *The Wall Street Journal*, November 21, 2003, pp. B1, B6.

⁴ Bethan Hutton, "Japan's 7-Eleven Sets Store by Computer Links," *Financial Times*, March 17, 1998, p. 26.

response (ECR) in an effort to work more closely with vendors on stock replenishment. ECR can be defined as a joint initiative by members of a supply chain to work towards improving and optimizing aspects of the supply chain to benefit customers. ECR systems utilize **electronic point of sale (EPOS)** data gathered by checkout scanners to help retailers identify product sales patterns and how consumer preferences vary with geography. Although currently most popular in the United States, the ECR movement is also gaining traction in Europe. Companies such as Carrefour, Metro, Coca-Cola, and Henkel have all embraced ECR. Supply chain innovations, such as radio frequency identification tags (RFID), are likely to provide increased momentum for ECR (see Case 12-2).

EPOS, ECR, and other IT tools are also helping businesses improve their ability to target consumers and increase loyalty. The trend among retailers is to develop customer-focused strategies that will personalize and differentiate the business. In addition to point-of-sale scanner data, loyalty programs that use electronic smart cards will provide retailers with important information about shopping habits. A new business model that helps companies collect, store, and analyze customer data is called **customer relationship management (CRM)**. Although industry experts offer varying descriptions and definitions of CRM, the prevailing view is that CRM is a philosophy that values two-way communication between company and customer. Every point of contact (“touchpoint” in CRM-speak) a company has with a consumer or business customer—through a Web site, a warranty card or sweepstakes entry, payment on credit card account, or inquiry to a call center—is an opportunity to collect data. CRM tools allow companies such as Credit Suisse, AT&T, and Hewlett-Packard to determine which customers are most valuable and to react in a timely manner with customized product and service offerings that closely match customer needs. If implemented correctly, CRM can make employees more productive and enhance corporate profitability; it also benefits customers by providing value-added products and services.

A company’s use of CRM can manifest itself in various ways. Some are visible to consumers, others are not; some make extensive use of leading-edge information technology, others do not. In the hotel industry, for example, CRM can take the form of front desk staff who monitor, respond to, and anticipate the needs of repeat customers. A visitor to Amazon.com who buys *The Red Hot Chili Peppers Greatest Hits* CD encounters CRM when he or she gets the message “Customers who bought this title also bought *In Time: The Very Best of REM 1988–2003*.” CRM can also be based on the click path that a Web site visitor follows. In this case, however, Internet users may be unaware that a company is tracking their behavior and interests.

One challenge is to integrate data into a complete picture of the customer and his or her relationship to the company and its products or services. This is sometimes referred to as a “360-degree view of the customer.” The challenge is compounded for global marketers. Subsidiaries in different parts of the world may use different customer data formats, and commercial CRM products may not support all the target languages. In view of such issues, industry experts recommend implementing global CRM programs in phases. The first could focus on a specific task such as **sales force automation (SFA)**; the term refers to a software system that automates routine aspects of sales and marketing functions such as lead assignment, contact follow-up, and opportunity reporting. An SFA system can also analyze the cost of sales and the effectiveness of marketing campaigns. Some SFA software can assist with quote preparation and management of other aspects of a sales campaign, such as mass mailings and conference or convention attendee follow-up.

For example, an important first step in implementing a CRM system could be to utilize SFA software from a company such as Oracle or Onyx Software. The objective at this stage of the CRM effort would be to provide sales representatives

“The major thing is, ‘One size fits all’ is not true. CRM is designed to support the sales process, and if I develop a system that works in the U.S., it might not work in Europe.”

Jim Dickie, Insight Technology Group

in all country locations with access via an Internet portal to sales activities throughout the organization. To simplify the implementation, the company could require that all sales activities be recorded in English. Subsequently, marketing, customer service, and other functions could be added to the system.⁵

Privacy issues also vary widely from country to country. In the EU, for example, a Directive on Data Collection has been in effect since 1998. Companies that use CRM to collect data about individual consumers must satisfy the regulations in each of the EU's 27 member countries. There are also restrictions about sharing such information across national borders. In 2000, the U.S. Department of Commerce and the EU concluded a Safe Harbor agreement that establishes principles for privacy protection for companies that wish to transfer data to the United States from Europe. The principles, which are posted in detail at www.export.gov/safeharbor, include:

- The purposes for which information is collected and used and the means by which individuals can direct inquiries to the company
- An "opt out" option to prevent the disclosure of personal information to third parties
- An agreement that information can only be transferred to third parties that are in compliance with Safe Harbor Principles
- Individuals must have access to information collected about them and must be able to correct or delete inaccurate information

Databases called **data warehouses** are frequently an integral part of a company's CRM system. Data warehouses can serve other purposes as well. For example, they can help retailers with multiple store locations fine-tune product assortments. Company personnel, including persons who are not computer specialists, can access data warehouses via standard Web browsers. Behind the familiar interfaces, however, is specialized software capable of performing multidimensional analysis by using sophisticated techniques such as linear programming and regression analysis. This enhances the ability of managers to respond to changing business conditions by adjusting marketing mix elements. MicroStrategy, an information services company in the United Kingdom, is one of several companies creating data warehouses for clients. As former vice president Stewart Holness explains, "Many corporations have a vast amount of information which they have spent money accumulating, but they have not been able to distribute it. The Web is the perfect vehicle for it."⁶

As Holness's comment makes clear, the Internet is revolutionizing corporate information processing (see Chapter 17). Companies slow to recognize the revolution risk falling behind competitors. For example, Germany is home to the *Mittelstand*, a group of 3 million small and mid-size manufacturers that have traditionally been focused and successful global marketers. The *Mittelstand* are often cited as an illustration of how small companies can help propel economic growth and sustain prosperity. As Dietmar Hopp, chief executive of Germany's largest software firm, noted in the mid-1990s:

With globalization there is no difference now between the *Mittelstand* and big companies—the business processes are comparable. It is only a matter of time before foreign competitors use the Internet to strengthen their foothold in Germany. German companies should follow their example and build up their U.S. and Asian activities through electronic marketing and commerce.⁷

⁵ Gina Fraone, "Facing Up to Global CRM," *eWeek*, July 30, 2001, pp. 37–41.

⁶ Vanessa Houlder, "Warehouse Parties," *Financial Times*, October 23, 1996, p. 8. See also John W. Verity, "Coaxing Meaning out of Raw Data," *Business Week*, February 3, 1997, pp. 134+.

⁷ Graham Bowley, "In the Information Technology Slow Lane," *Financial Times*, November 11, 1997, p. 14.

There is evidence that *Mittelstand* companies have gotten the message. According to a recent study conducted by IBM Germany and *Impulse*, a German magazine for entrepreneurs, most *Mittelstand* companies now have Web home pages. Approximately one-third use the Web for e-business activities such as ordering and cross-linking with suppliers.⁸

These examples show just some of the ways that IT is affecting global marketing. However, EDI, ECR, EPOS, SFA, CRM, and other aspects of IT do not simply represent marketing issues; they are organizational imperatives. The tasks of designing, organizing, and implementing information systems must be coordinated in a coherent manner that contributes to the overall strategic direction of the organization. Modern IT tools provide the means for a company's marketing information system and research functions to provide relevant information in a timely, cost-efficient, and actionable manner.

the rest of the story

The Transformation of Coach

In 2004, Coach spent \$3 million on research. Each year, the company conducts personal interviews with more than 10,000 consumers. It supplements this research with a variety of other techniques, including focus groups, e-mails, and questionnaires. Questions range from Coach's brand image to the strap length on its bags; Coach gathers data about fashion collections already in stores as well as items that are in the planning stages. As Peter Emmerson, president of global business development, explains, when the company entered Japan, research had provided managers with an understanding of the need for a window in the bag that could hold a train pass. Likewise, bags designed for the Japanese market had to be scaled down in size. The typical Japanese consumer "likes smaller, cute things, and the American tends to bigger sizes with lots of compartments," Emmerson says.

"While consumers are enormously brand-centric in Japan, they are not as brand loyal as they are in America. American women tend to carry two to three brands on a regular basis, while her Japanese counterpart tends to carry as many as five."

Lew Frankfort, Coach CEO

The value of Coach's research effort was evident in the successful introduction of the "Signature" collection; launched in 2001, the bags were made from leather and fabric and were covered with the letter C. The collection represented a radical departure from traditional Coach designs. The collection tested so well that, prior to the launch, Frankfort doubled the number of units ordered from suppliers. That same year, Coach executives discovered that the company's cosmetics cases were enjoying surprisingly strong sales. It turned out that women were putting the smaller cases inside the larger Coach bag so they could find cell phones and other important items without rummaging. Management recognized that the unexpected success of the cosmetics case represented an opportunity to innovate; as David Duplantis, vice president of retail merchandising, put it, "We

recognized an opportunity to accessorize the accessory." The design team created a 4-inch by 6-inch zippered bag with a wrist strap and a clip. Called a "wristlet," the new bag represented a bracelet-wallet hybrid for the wrist.

The new product was a huge hit, especially with young women who had not previously been Coach customers. The success of the Signature collection suggested, and subsequent marketing surveys confirmed, that women want bags that feature materials other than leather. The surveys also indicated that Coach was still perceived as a "serious" brand. Armed with this knowledge, Krakoff and Frankfort hit on the idea of a "Hampton Weekend" line of less expensive bags that were suited to weekend leisure pursuits. The line was intended as an impulse purchase; the bags range in price from about \$100 to about \$200—less than a typical Coach bag.

In 2002, Lexus launched a car model with a leather trim package that was co-branded with Coach. As brand strategy consultant Troy Nottingham noted, "What's happened here is that Lexus is a hallmark for luxury in the auto industry, and Coach has certainly been one of the top names in leather. It's one more crown for Lexus, and it takes Coach into a whole new category."

In 2003, Coach opened a small boutique inside the Harvey Nichols department store in London's fashionable Knightsbridge area. Emmerson hopes that, after gaining a foothold in Great Britain, the Coach brand will gain popularity as tourists from France, Germany, and Italy return home with their bags. Says Emmerson, "The UK will give us some sense as to what the opportunity size in Europe might be."

Sources: Deborah L. Vence, "Product Enhancement," *Marketing News*, May 1, 2005, p. 19; Ginny Parker, "A Yen for Coach," *The Wall Street Journal*, March 11, 2005, pp. B1, B4; Ellen Byron, "Case by Case: How Coach Won a Rich Purse by Inventing New Uses for Bags," *The Wall Street Journal*, November 17, 2004, pp. A1, A13; Lauren Foster, "How Coach Pulled into Luxury's Fast Lane," *Financial Times*, June 30, 2004, p. 8; Vanessa Friedman, "Handbag Invasion," *Financial Times*, August 2–3, 2003, p. W9; Erin White, "How Stodgy Turned Stylish," *The Wall Street Journal*, May 3, 2002, pp. B1, B3.

⁸ "E-Business in the *Mittelstand*," www.impulse.de (January 23, 2002).

Overall, then, the global organization has the following needs:

- An efficient, effective system that will scan and digest published sources and technical journals in the headquarters country as well as all countries in which the company has operations or customers.
- Daily scanning, translating, digesting, abstracting, and electronic input of information into a market intelligence system. Today, thanks to advances in IT, full-text versions of many sources are available online as PDF files. Print documentary material can be easily scanned, digitized, and added to a company's information system.
- Expanding information coverage to other regions of the world.

SOURCES OF MARKET INFORMATION

Although environmental scanning is a vital source of information, research has shown that headquarters executives of global companies obtain as much as two-thirds of the information they need from *personal sources*. A great deal of external information comes from executives based abroad in company subsidiaries, affiliates, and branches. These executives are likely to have established communication with distributors, consumers, customers, suppliers, and government officials. A striking feature of the global corporation—and a major source of competitive strength—is the role that executives abroad play in acquiring and disseminating information about the world environment. Headquarters executives generally acknowledge that company executives overseas are the people who know best what is going on in their areas. The following is a typical comment of headquarters executives:

Our principal sources are internal. We have a very well-informed and able overseas establishment. The local people have a double advantage. They know the local scene and they know our business. Therefore, they are an excellent source. They know what we are interested in learning, and because of their local knowledge they are able to effectively cover available information from all sources.

The information issue exposes one of the key weaknesses of a domestic company: Although more attractive opportunities may be present outside existing areas of operation, they are likely to go unnoticed by inside sources in a domestic company because the scanning horizon tends to end at the home-country border. Similarly, a company with only limited geographical operations may be at risk because internal sources abroad tend to scan only information about their own countries or regions.

behind the scenes

Nestlé Customers Call In

Nestlé is an excellent case study in using the telephone as a low-cost tool to supplement traditional research and focus groups. The company receives hundreds of thousands of calls on its toll-free numbers each year; in an effort to get closer to customers, managers return some of those calls. After callers complained that the standard 8-ounce Coffee-mate jar was too small, the company changed its standard jar size to 15 ounces; sales increased significantly. Likewise, when callers complained that pastel colors on Coffee-mate labels made it hard to

differentiate different varieties, Nestlé responded by brightening the colors. However, only about 20 percent of the incoming calls are complaints; many callers offer suggestions. Telephone research also revealed that most people start drinking coffee when they get their first job. Armed with this information, Nestlé began distributing samples of Coffee-mate to college students returning to campus in the fall.

Source: The Wall Street Journal (Eastern Edition) by Deborah Ball. Copyright 2004 by Dow Jones & Company, Inc.. Reproduced with permission of Dow Jones & Company, Inc. in the format Other book via Copyright Clearance Center.

Direct sensory perception provides a vital background for the information that comes from human and documentary sources. Direct perception gets all the senses involved. It means seeing, feeling, hearing, smelling, or tasting for oneself to find out what is going on in a particular country, rather than getting second-hand information by hearing or reading about a particular issue. Some information is easily available from other sources but requires sensory experience to sink in. Often, the background information or context one gets from observing a situation can help fill in the big picture. For example, Wal-Mart's first stores in China stocked a number of products—extension ladders and giant bottles of soy sauce, for example—that were inappropriate for local customers. Joe Hatfield, Wal-Mart's top executive for Asia, began roaming the streets of Shenzhen in search of ideas. His observations paid off; when Wal-Mart's giant store in Dalian opened in April 2000, a million shoppers passed through its doors in the first week. They snapped up products ranging from lunch boxes to pizza topped with corn and pineapple.⁹ Jim Stengel, global marketing officer at Procter & Gamble, is moving his managers away from a preoccupation with research data to a wider view based on direct perception. As Stengel noted:

We often find consumers can't articulate it. That's why we need to have a culture where we are understanding. There can't be detachment. You can't just live away from the consumer and the brand and hope to gain your insights from data or reading or talking to academics. You have to be experiential. And some of our best ideas are coming from people getting out there and experiencing and listening.¹⁰

Direct perception can also be important when a global player dominates a company's domestic market. Such was the case with Microsoft and its Xbox video game system, which was launched in a market dominated by Sony. Cindy Spodek-Dickey, group manager for national consumer promotions and sponsorships, took Xbox "on the road" with various promotional partners such as the Association of Volleyball Professionals (AVP). At AVP tournaments in different

global MARKETING Q&A

Wall Street Journal: "How do you keep the people who manage the brands fresh and focused on consumer needs?"

Niall FitzGerald, Co-Chairman, Unilever: "To be a successful marketer you have to be prepared to fail and to live with failure. If you try to make a decision without having 40 percent of what you need, you're in trouble. And if you wait until after you've got 70 percent, it's too late. So be brave enough to make your decisions in the 40 percent to 70 percent zone."

Wall Street Journal: "What do you do personally to get this message across?"

Niall FitzGerald: "I visit consumer homes. It sends a message flashing through the organization. It says, 'Good God, if he's going to do that, I'd better get out there before him!' One time I visited a family in Rio de Janeiro. We asked a woman to bring her clothes and she hand washed them with a powder. It looked as if the clothes were already clean. She actually washed the clothes in a stream with stones and only used the powder for a final brightening-up. I asked what the most important thing was for her. It was the fragrance. At the time, we weren't putting enough attention into fragrance. We are now."

Source: Deborah Ball, "Stocking a Global Pantry," *The Wall Street Journal*, May 24, 2004, pp. B1, B3.

⁹ Peter Wonacott, "Wal-Mart Finds Market Footing in China," *The Wall Street Journal*, July 17, 2000, p. A31.

¹⁰ Gary Silverman, "How May I Help You?" *Financial Times*, February 4–5, 2006, p. W2.

Joe Hatfield, chief executive of Wal-Mart Asia, is responsible for the retailer's 66 Chinese stores. Hatfield works 17-hour days in his quest to help Wal-Mart edge past Carrefour as China's largest hypermarket operator. Wal-Mart's China strategy includes building a nationwide distribution network; to accomplish this, the company has spent tens of millions of dollars in Kengzi and Shanghai. Industry observers forecast that, by 2015, 200 million Chinese households will have annual incomes equal to \$3,200.



"China and India are very interesting because they are large, fast-growing economies. Indeed, I have a full-time analyst researching the Chinese market for potential acquisitions—on top of a regular market intelligence team that flies in and out of the country as needed. Right now we have terabytes of information on China."¹²

Lorenzo Zambrano, CEO, Cemex

cities, spectators (and potential customers) had the opportunity to visit the Xbox hospitality tent to try out the new machine. At one tournament event, Spodek-Dickey explained the importance of informal market research:

What are the other sponsors doing? What's the crowd into? What brands are they wearing? How are they interacting with our property? I'll stop them as they come out of the tent and say: 'What do you think? What do you like about Xbox? What do you think of your PlayStation?' It's mother-in-law research. I wouldn't want to stake a \$10 million ad campaign on it, but I think it keeps you credible and real. When you start to hear the same feedback, three, four, five times, you'd better be paying attention. . . . I believe it is part of any good marketer's job to be in touch with their audience and their product. There's no substitute for face-to-face, eye-to-eye, hand-to-hand.¹¹

FORMAL MARKET RESEARCH

Information is a critical ingredient in formulating and implementing a successful marketing strategy. As described earlier, a marketing information system should produce a continuous flow of information. **Market research**, by contrast, is the project-specific, systematic gathering of data. The American Marketing Association defines *marketing research* as "the activity that links the consumer, customer and public to the marketer through information."¹³ In **global market research**, this activity is carried out on a global scale. The challenge of global marketing research is to recognize and respond to the important national differences that influence the way information can be obtained. These include cultural, linguistic, economic, political, religious, historical, and market differences.

Michael Czinkota and Illka Ronkainen note that the objectives of international market research are the same as the objectives of domestic research. However, they

¹¹ Kenneth Hein, "We Know What Guys Want," *Brandweek*, November 14, 2002, p. M48.

¹² John Lyons, "Cemex Prowls for Deals in Both China and India," *The Wall Street Journal*, January 27, 2006, p. C4.

¹³ Peter D. Bennett, ed., *Dictionary of Marketing Terms*, 2d ed. (Chicago: American Marketing Association, 1995), p. 169.

have identified four specific environmental factors that may require international research efforts to be conducted differently than domestic research. First, researchers must be prepared for new parameters of doing business. Not only will there be different requirements, but the ways in which rules are applied may differ as well. Second, “cultural megashock” may occur as company personnel come to grips with a new set of culture-based assumptions about conducting business. Third, a company entering more than one new geographic market faces a burgeoning network of interacting factors; research may help prevent psychological overload. Fourth, company researchers may have to broaden the definition of competitors in international markets to include competitive pressures that would not be present in the domestic market.¹⁴

There are two basic ways to conduct marketing research. One is to design and implement a study with in-house staff. The other is to use an outside firm specializing in marketing research. In global marketing, a combination of in-house and outside research efforts is often advisable. Many outside firms have considerable international expertise; some specialize in particular industry segments. According to figures compiled by *Marketing News*, global market research revenues for the top 25 research companies totaled \$13.3 billion in 2004.¹⁵ VNU is the world’s largest market research organization; its Nielsen Media Research unit is the source of the well-known Nielsen TV ratings. In July 2005, VNU announced that it would acquire IMS for \$7 billion.¹⁶ The top global marketing research companies are shown in Table 6-1.

The process of collecting data and converting it into useful information can be quite detailed, as shown in Figure 6-1. In the discussion that follows, we will focus on eight basic steps: information requirement, problem definition, choosing unit of analysis, examining data availability, assessing the value of research, research design, data analysis, and presenting the research findings.

Company (Home Country)	2004 Research-only Revenues (\$ billions)	Competitive Focus
1. VNU NV (United States and the Netherlands)	\$3.4	Units include ACNielsen, Nielsen Media Research, Claritas, and Spectra. Focus on media monitoring and business information.
2. Taylor Nelson Sofres PLC (United Kingdom)	\$1.7	Custom business research; polling and social research; syndicated services.
3. IMS Health Inc. (United States)	\$1.6	Provides market information to pharmaceutical and health-care industries.
4. The Kantar Group (United States; unit of WPP Group)	\$1.1	Units include Millward Brown and Research International. Focus on brand awareness and media analysis.
5. GfK Group (Germany)	\$.835	Five business units offer custom research and consumer tracking services, plus research on retail and technology, media, and health-care sectors.

Table 6-1

Leading Global Market Research Companies

Source: Adapted from Anne Ryman, “Top 25 Global Research,” *Marketing News*, August 15, 2005.

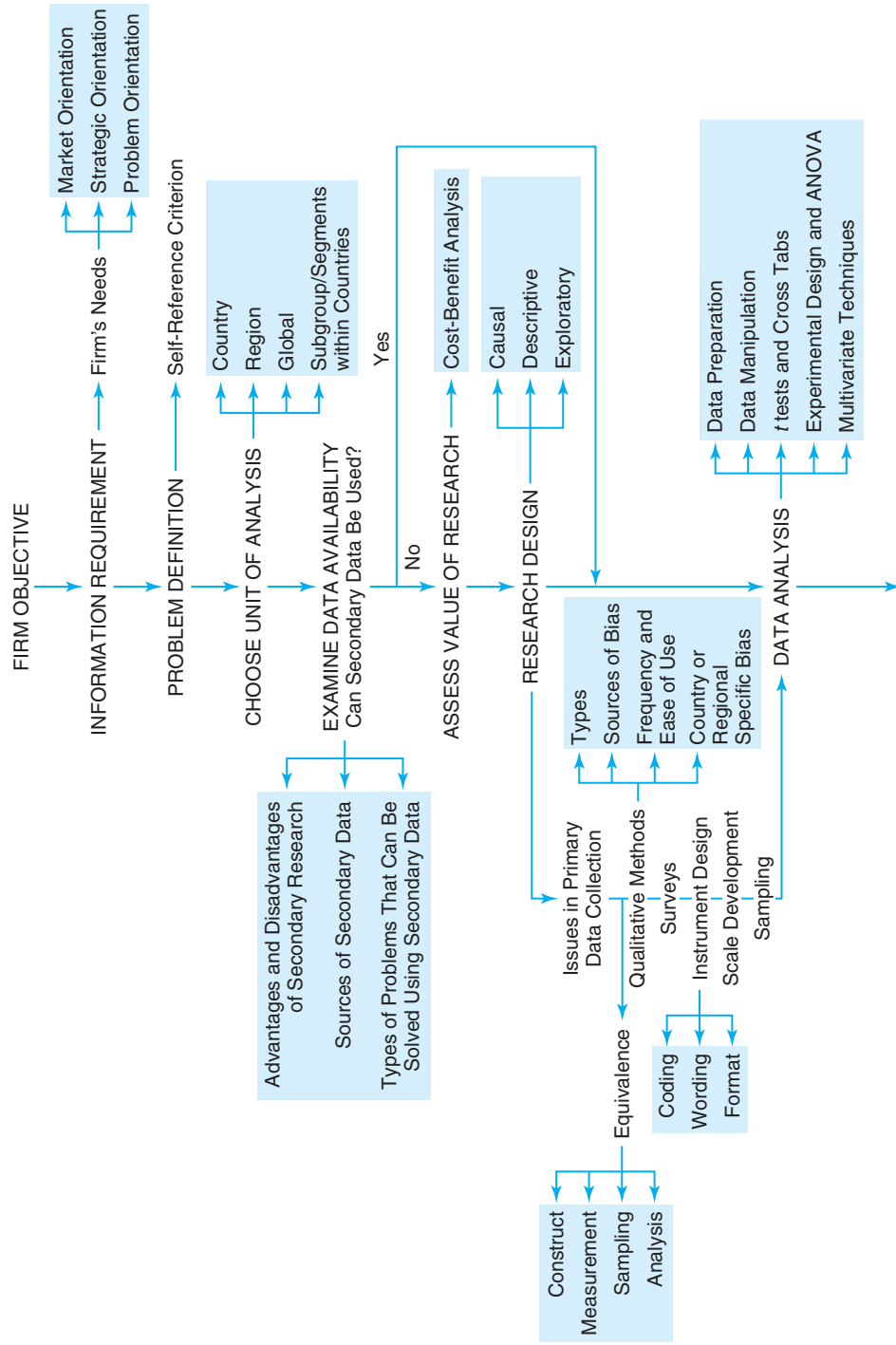
¹⁴ Michael R. Czinkota and Ilkka A. Ronkainen, “Market Research for Your Export Operations: Part I—Using Secondary Sources of Research,” *International Trade Forum* 30, no. 3 (1994), pp. 22–33.

¹⁵ Datamonitor, “Global Market Research—Industry Profile,” November 2003, p. 6.

¹⁶ Jason Singer and Dennis K. Berman, “VNU Weighs Big Moves to Get Its Prize,” *The Wall Street Journal*, September 29, 2005, p. A3.

Figure 6-1

The International Marketing Research Process



Source: Kumar, V., *International Marketing Research*, 1st Edition, © 2000. Reprinted by permission of Pearson Education, Inc. Upper Saddle River, NJ.

Step 1: Identify the Information Requirement

The following story illustrates the first step in the formal marketing research process:

The vice presidents of finance and marketing of a shoe company were traveling around the world to estimate the market potential for their products. They arrived in a very poor country and both immediately noticed that none of the local citizens wore shoes. The vice president of finance said, "We might as well get back on the plane. There is no market for shoes in this country." The vice president of marketing replied, "What an opportunity! Everyone in this country is a potential customer!"

The potential market for shoes was enormous in the eyes of the marketing executive. To formally confirm his instinct, some research would be required. As this story shows, research is often undertaken after a problem or opportunity has presented itself. Perhaps a competitor is making inroads in one or more important markets around the world. Maybe research on local taste preferences is required to determine if a food product must be adapted. Or, as in this story, a company may wish to determine whether a particular country or regional market offers good growth potential. What is the likelihood that potential customers can be converted into *actual* customers? It is a truism of market research that a problem well defined is a problem half solved. Thus, regardless of what situation sets the research effort in motion, the first two questions a marketer should ask are "What information do I need?" and "Why do I need this information?" Table 6-2 lists various subject categories that may require research.

Step 2: Problem Definition

As noted in Chapter 4, when a person's home-country values and beliefs influence the assessment of a foreign culture or country, the self-reference criterion (SRC) is at work. The SRC tendency underscores the importance of understanding the cultural environments of global markets, as the following examples illustrate:

- When Mattel first introduced Barbie in Japan, managers assumed that Japanese girls would find the doll's design just as appealing as American girls did. They didn't.
- When the Walt Disney Company opened Disneyland Paris, park employees were expected to comply with a detailed written code regarding personal appearance. The goal was to ensure that guests receive the kind of experience associated with the Disney name. However, the French considered the code to be an insult to French culture, individualism, and privacy.

Category	Coverage
1. Market potential	Demand estimates, consumer behavior, review of products, channels, communication media
2. Competitor information	Corporate, business, and functional strategies; resources and intentions; capabilities
3. Foreign exchange	Balance of payments, interest rates, attractiveness of country currency, expectations of analysts
4. Prescriptive information	Laws, regulations, rulings concerning taxes, earnings, dividends in both host and home countries
5. Resource information	Availability of human, financial, physical, and information resources
6. General conditions	Overall review of sociocultural, political, technological environments

Table 6-2

Subject Agenda Categories for a Global Marketing Information System

As these examples show, assumptions that companies make based on home-country marketing success can turn out to be wrong when applied globally. It may also be the case that marketers assume that a marketing program that is successful in one country market can be applied to other country markets in the region. Consider the case of Disney's theme park business again. Although Disneyland Japan was a huge success from opening day, the \$3.2 billion Hong Kong Disneyland that opened in 2005 has been less successful. This is due in part to the fact that mainland Chinese have little familiarity with traditional Disney "face characters" such as Snow White. As Jay Rasulo, president of Disney's park and resort division, noted, "People from the mainland don't show up with the embedded 'Disney software' like at other parks."¹⁷

When approaching global markets, it is best to have "eyes wide open." In other words, marketers must be aware of the impact that SRC and other cross-cultural assumptions can have. Such awareness can have several positive effects. First, it can enhance management's willingness to conduct market research in the first place. Second, an awareness of SRC can help ensure that the research effort is designed with minimal home-country or second-country bias. Third, it can enhance management's receptiveness to accepting research findings—even if they contradict "tried and true" marketing experience in other markets.

Step 3: Choose Unit of Analysis

The next step involves the need to identify in what part(s) of the world the company should be doing business and finding out as much as possible about the business environment in the area(s) identified. These issues are reflected in the subject agenda categories in Table 6-2. The unit of analysis may be a single country; it may also be a region such as Europe or South America. In some instances, the marketer is interested in a segment that is global. Countrywide data are not required for all market entry decisions. Rather, a specific city, state, or province may be the relevant unit of analysis. For example, a company that is considering entering China may focus initially on Shanghai. Located in the Jiangsu province, Shanghai is China's largest city and main seaport. Because Shanghai is a manufacturing center, has a well-developed infrastructure, and is home to a population with relatively high per capita income, it is the logical focus of a market research effort.

Step 4: Examine Data Availability

The first task at this stage is to answer several questions regarding the availability of data. What type of data should be gathered? Are data available in company files, a library, industry or trade journals, or online? Can secondary data be used? When does management need the information in order to make a decision regarding market entry? Marketers must address these issues before proceeding to the next step of the research process. Using data that are readily available saves both money and time. A formal market study can cost hundreds of thousands of dollars and take many months to complete.

A low-cost approach to market research and data collection begins with desk research. In other words, "the key to creating a cost-effective way of surveying foreign markets is to climb on the shoulders of those who have gone before."¹⁸ Suppose a marketer wants to assess the basic market potential for a particular product. To find the answer, secondary sources are a good place to start. Personal files, company or public libraries, online databases, government census records,

¹⁷ Merissa Marr and Geoffrey A. Fowler, "Chinese Lessons for Disney," *The Wall Street Journal*, June 12, 2006, p. B1.

¹⁸ Michael R. Czinkota and Ilkka A. Ronkainen, "Market Research for Your Export Operations: Part I—Using Secondary Sources of Research," *International Trade Forum* 30, no. 3 (1994), p. 22.

and trade associations are just a few of the data sources that can be tapped with minimal effort and cost. Data from these sources already exist. Such data are known as *secondary data* because they were not gathered for the specific project at hand. *Statistical Abstract of the United States* is just one of the annual publications issued by the U.S. government that contains myriad facts about international markets. The U.S. government's most comprehensive source of world trade data is the National Trade Data Base (NTDB), an online resource from the Department of Commerce. Another commerce department Web site, STAT-USA/Internet (www.stat-usa.gov), is an excellent online source for merchandise trade, gross domestic product, and other current and historical data. Most countries compile national accounts estimates of gross national product (GNP), gross domestic product (GDP), consumption, investment, government expenditures, and price levels. Demographic data indicating the population size, distribution of population by age category, and rates of population growth are also available. Market information is also available from export census documents compiled by the department of commerce on the basis of shipper's export declarations (known as "ex-decs" or SEDs, these must be filled out for any export valued at \$1,500 or more). Another important source of market data is the Foreign Commercial Service. Many countries have set up Web sites to help small firms find opportunities in world markets. For example, the Canadian Trade Commissioner Service (www.infoexport.gc.ca) is a service of Canada's Department of Foreign Affairs and International Trade (DFAIT). The site is a computerized database containing the names of Canadian companies that export.

These do not exhaust the types of data available, however. A single source, *The Statistical Yearbook of the United Nations*, contains global data on agriculture, mining, manufacturing, construction, energy production and consumption, internal and external trade, railroad and air transport, wages and prices, health, housing, education, communication infrastructure, and availability of mass communication media. The U.S. Central Intelligence Agency publishes *World Factbook*, which is revised yearly. Other important sources are the World Bank, the International Monetary Fund, and Japan's Ministry of International Trade and Industry (MITI). *The Economist* and *Financial Times* regularly compile comprehensive surveys of regional and country markets and include them in their publications. Data from these sources are generally available in both print and electronic form.

How can such data be useful? Take industrial growth patterns as one example. Because they generally reveal consumption patterns, production patterns are helpful in assessing market opportunities. Additionally, trends in manufacturing production indicate potential markets for companies that supply manufacturing inputs. At the early stages of growth in a country, when per capita incomes are low, manufacturing centers on such necessities as food and beverages, textiles, and other forms of light industry. As incomes rise, the relative importance of these industries declines as heavy industry begins to develop.

A word of caution is in order at this point: Remember that data are compiled from various sources, some of which may not be reliable. Even when the sources are reliable, there is likely to be some variability from source to source. Anyone using data should be clear on exactly what the data are measuring. For example, studying income data requires understanding whether one is working with GNP or GDP figures. Also, anyone using the Internet as an information source should evaluate the credibility of the person(s) responsible for the Web site. Moreover, as Czinkota and Ronkainen note,¹⁹ secondary data may support the decision to pursue a market opportunity outside the home country, but it is unlikely to shed light on specific questions: What is the market potential for our furniture in Indonesia? How much does the typical Nigerian consumer spend on soft drinks? If a packaging change is

¹⁹ Michael R. Czinkota and Ilkka A. Ronkainen, "Market Research for Your Export Operations: Part II—Conducting Primary Marketing Research," *International Trade Forum* 31, no. 1 (1995), p. 16.

Table 6-3

Global Market Research Reports
from MarketResearch.com

Title of Study	Length in Pages	Price
World Pharmaceutical Chemicals	438	\$4,500
Internet Commerce in Canada 2000–2006	22	\$4,500
World Alcohol—Strategic Review	900	\$3,950
Global Airport Retailing	185	\$1,115
The Market for Travel and Tourism in Russia	73	\$1,000
Pet Food and Pet Products in India	36	\$1,000
Online Music in Japan	12	\$995
The 2000–2005 World Ice Cream Outlook	110	\$795
Automobiles and Automotive Parts in Brazil	170	\$136

Source: *The Information Catalog, 2nd Quarter 2002*, MarketResearch.com. Marketing Research Association.

made to ensure compliance with Germany’s Green Dot Ordinance, what effect, if any, will the change have on consumer purchasing behavior?

Syndicated studies published by private research companies are another source of secondary data and information (the word *syndicated* comes from the newspaper industry and refers to the practice of selling articles, cartoons, or guest columns to a number of different organizations). For example, MarketResearch.com (www.marketresearch.com) sells reports on a wide range of global business sectors; the company partners with 350 research firms to offer a comprehensive set of reports. A sampling of reports available from MarketResearch.com is shown in Table 6-3; while a single report can cost thousands of dollars, a company may be able to get the market information it needs without incurring the cost associated with primary research.

Step 5: Assess Value of Research

When data are not available through published statistics or studies, management may wish to conduct further study of the country market, region, or global segment. However, collecting information costs money. Thus, the plan should also spell out what this information is worth to the company in dollars (or euro, yen, etc.) compared with what it would cost to collect it. What will the company gain by collecting this data? What would be the cost of not getting the data that could be converted into useful information? Research requires an investment of both money and managerial time, and it is necessary to perform a cost-benefit analysis before proceeding further. In some instances, a company may pursue the same course of action no matter what the research reveals. Even when more information is needed to ensure a high-quality decision, a realistic estimate of a formal study may reveal that the cost to perform research is simply too high.

The small markets around the world pose a special problem for the researcher. The relatively low profit potential in smaller markets justifies only modest expenditures for marketing research. Therefore, the global researcher must devise techniques and methods that keep expenditures in line with the market’s profit potential. In smaller markets, there is pressure on the researcher to discover economic and demographic relationships that permit estimates of demand based on a minimum of information. It may also be necessary to use inexpensive survey research that sacrifices some elegance or statistical rigor to achieve results within the constraints of the smaller market research budget.

Step 6: Research Design

As indicated in Figure 6-1, if secondary data can be used, the researcher can go directly to the data analysis step. Suppose, however, data are not available through published statistics or studies; in addition, suppose that the cost-benefit

analysis indicated in Step 4 has been performed and that the decision has been made to carry on with the research effort. *Primary data* are gathered through original research pertaining to the particular problem identified in Step 1. At this point, it is time to establish a research design.

Global marketing guru David Arnold offers the following guidelines regarding data gathering:²⁰

- Use multiple indicators rather than a single measure. This approach will decrease the level of uncertainty for decision makers. As the saying goes, “There are three sides to every story: your side, my side, and the truth.” A land surveyor can pinpoint the location of a third object given the known location of two objects. This technique, known as *triangulation*, is equally useful in global market research.
- Individual companies should develop customized indicators specific to the industry, product market, or business model. Such indicators should leverage a company’s previous experience in global markets. For example, in some developing markets, Mary Kay Cosmetics uses the average wage of a female secretary as a basis for estimating income potential for its beauty consultants.
- Always conduct comparative assessments in multiple markets. Do not assess a particular market in isolation. Comparative assessment enables management to develop a “portfolio” approach in which alternative priorities and scenarios can be developed. For example, to better understand Czech consumers in general, a company might also conduct research in nearby Poland and Hungary. By contrast, if a brewing company wished to learn more about beer consumption patterns in the Czech Republic, it might also conduct research in Ireland and Germany where per capita beer consumption is high.
- Observations of purchasing patterns and other behavior should be weighted more heavily than reports or opinions regarding purchase intention or price sensitivity. Particularly in developing markets, it is difficult to accurately survey consumer perceptions.

With these guidelines in mind, the marketer must address a new set of questions and issues in primary data collection. Should the research effort be geared toward quantitative, numerical data that can be subjected to statistical analysis or should qualitative techniques be used? In global marketing research, it is advisable for the plan to call for a mix of techniques. For consumer products, qualitative research is especially well suited to accomplish the following tasks:²¹

- To provide consumer understanding; to “get close” to the consumer
- To describe the social and cultural context of consumer behavior, including cultural, religious, and political factors that impact decision making
- Identify core brand equity and “get under the skin” of brands
- To “mine” the consumer and identify what people really feel

Issues in Data Collection

The research problem may be more narrowly focused on marketing issues, such as the need to adapt products and other mix elements to local tastes and assessing demand and profit potential. Demand and profit potential, in turn, depend in part on whether the market being studied can be classified as existing or potential. *Existing markets* are those in which customer needs are already being served by

²⁰ David Arnold, *The Mirage of Global Markets* (Upper Saddle River, NJ: Financial Times Prentice Hall, 2004), pp. 41–43.

²¹ John Pawle, “Mining the International Consumer,” *Journal of the Market Research Society* 41, no. 1 (1999), p. 20.

one or more companies. In many countries, data about the size of existing markets—in terms of monetary volume and unit sales—are readily available. In some countries, however, formal market research is a relatively new phenomenon and data are scarce. McKinsey & Company, Gartner Group Asia, and Grey China Advertising have been very active in China. For example, using focus groups and other techniques, Grey China gathers a wealth of information about attitudes and buying patterns that it publishes in its *Grey ChinaBase Annual Consumer Study*. Recent findings point to growing concerns about the future, Westernization of grocery purchases, growing market saturation, increasingly discerning customers, and a rise in consumer willingness to try new products. Even so, data gathered by different sources may be inconsistent. What is the level of soft-drink consumption in China? Euromonitor International estimates consumption at 23 billion liters, while Coca-Cola's in-house marketing research team places the figure at 39 billion liters. Likewise, CSM, a Chinese television-rating agency, estimates the TV-advertising market at \$2.8 billion per year. According to Nielsen Media Research, the figure is closer to \$7.5 billion.²²

In such situations, and in countries where such data are not available, researchers must first estimate the market size, the level of demand, or the rate of product purchase or consumption. A second research objective in existing markets may be assessment of the company's overall competitiveness in terms of product appeal, price, distribution, and promotional coverage and effectiveness. Researchers may be able to pinpoint a weakness in the competitor's product or identify an under- or unserved market segment. The minivan and sport utility vehicle segments of the auto industry illustrate the opportunity an existing market can present. Chrysler dominates the U.S. minivan market, for which annual sales total about 1.2 million vehicles. Most global marketers compete in this segment. For example, Toyota introduced its Japanese-built Previa in the United States in 1991; critics mocked the teardrop styling and dismissed it as being underpowered. For the 1998 model year, the Previa was replaced with the American-built Sienna. To ensure that Sienna suited American tastes, Toyota designers and engineers studied Chrysler minivans and duplicated key features such as numerous cup holders and a sliding driver-side rear door.

In some instances, there is no existing market to research. Such *potential markets* can be further subdivided into latent and incipient markets. A **latent market** is, in essence, an undiscovered segment. It is a market in which demand would materialize *if* an appropriate product were made available. In a latent market, demand is zero before the product is offered. In the case of existing markets such as the one for minivans described previously, the main research challenge is to understand the extent to which competition fully meets customer needs. As J. Davis Illingworth, an executive at Toyota Motor Sales USA, explained, "I think the American public will look at Sienna as an American product that meets their needs."²³ With latent markets, initial success is not based on a company's competitiveness. Rather, it depends on the prime mover advantage—a company's ability to uncover the opportunity and launch a marketing program that taps the latent demand. This is precisely what Chrysler achieved by single-handedly creating the minivan market.

Sometimes, traditional marketing research is not an effective means for identifying latent markets. In a *The Wall Street Journal* article, Peter Drucker pointed out that the failure of American companies to successfully commercialize fax machines—an American innovation—can be traced to research that indicated no potential demand for such a product. The problem, in Drucker's view, stems from the typical survey question for a product targeted at a latent market. Suppose a researcher asks, "Would you buy a telephone accessory that costs upwards of \$1,500 and enables you to send,

²² Gabriel Kahn, "Chinese Puzzle: Spotty Consumer Data," *The Wall Street Journal*, October 15, 2003, p. B1.

²³ Kathleen Kerwin, "Can This Minivan Dent Detroit?" *Business Week*, February 3, 1997, p. 37.

for \$1 a page, the same letter the post office delivers for \$0.25?" On the basis of economics alone, the respondent most likely will answer, "No."

Drucker explained that Japanese companies are the leading sellers of fax machines today because their understanding of the market was not based on survey research. Instead, they reviewed the early days of mainframe computers, photocopy machines, cellular telephones, and other information and communications products. The Japanese realized that, judging only by the initial economics of buying and using these new products, the prospects of market acceptance were low. However, each of these products had become a huge success after people began to use them. This realization prompted the Japanese to focus on the market for the *benefits* provided by fax machines, rather than the market for the machines themselves. By looking at the success of courier services such as FedEx, the Japanese realized that, in essence, the fax machine market already existed.²⁴

*"At that time, Japanese women almost never used mascaras because, by nature, they have very straight, short and thin lashes. We designed a mascara that was able to lengthen and curl lashes. It was a huge success. We would never have seen that in a focus group."*²⁵

Jean-Paul Agon, CEO, L'Oréal, discussing the decision to relaunch the Maybelline makeup brand in Japan with mascara.

challenges in the global marketplace

Motorola spent more than a decade and billions of dollars developing Iridium, an ambitious new business that would offer satellite-global personal communications services to supplement ground-based wire and cellular telephone services. If it succeeded, Iridium would be a historic first: A business that was truly global from day one of operations. Iridium's first customers were expected to include globetrotting business executives who need to send and receive voice messages and data and who want a single telephone number that will work anywhere on the planet. In addition, the business concept was based on the fact that 90 percent of the world's population lacks access to telephones. Iridium could bring wireless telephone service to rural areas in South America, India, and Africa.

Motorola executives projected that Iridium would attract 5 million users by the year 2002. Each subscriber was expected to contribute \$1,000 per year in net revenues to Iridium. In essence, Iridium was a huge bet that the varying technology standards of conventional cellular telephone systems would provide the key to Iridium's success. At the time, cellular phone standards were different in Europe and the United States so a European businessperson's cell phone unit is rendered inoperable across the Atlantic in the United States. Iridium's early customers would have to pay approximately \$3,000 for new telephones. Usage fees for satellite telephone calls were set in a range from \$1.75 to \$7.00 per minute.

Industry observers were skeptical. Some wondered whether Motorola could really recoup its investment. One consultant got to the heart of the matter when he asked, "The biggest single issue is, can they sell it? There is no good head count of international businessmen who need this." For their part, Iridium executives reasoned that some 40 million people travel from the United States each year. Even if a small percentage of them became Iridium users, the service would be a success.

Early in 1997, Iridium management announced a number of strategic changes. The company was now aiming to sign up 3 million businesspeople such as contractors, people employed in the oil and gas industries, maritime workers, and employees of heavy construction firms such as Schlumberger

and Bechtel. Such professional travelers, it was hoped, would account for about two-thirds of Iridium's revenues. As Dr. Edward Staiano, Iridium's vice chairman and chief executive, said, "The guy who's going to pay for this system is the guy who doesn't look at his phone bill." This change de-emphasized the opportunity in emerging markets with undeveloped telephone systems.

A \$140 million global print advertising campaign created by Ammirati Puris Lintas was launched in June 1998. Voice services began on November 1, with paging services available November 15. However, the required number of actual customers never materialized, and by 2000, it appeared that it was all over for Iridium except for the funeral. The apparent lesson: There was no latent market for a premium-priced global satellite telephone service.

However, in late 2000, a group of private investors bought Iridium's assets for the fire-sale price of \$25 million. The new owners, doing business as Iridium Satellite LLC, secured a two-year contract with the Pentagon to provide satellite phones to embassy employees and other government agencies. Then Boeing signed an agreement to maintain the satellite network. "We do not see Iridium as a mass consumer service," said Dan Colussy, chairman of the Iridium Satellite LLC. "It is a communications service that addresses the very specific needs of the industrial markets and other specialized segments. Because of our significantly reduced cost structure and Iridium's unique system capabilities, we will be able to serve these markets more effectively than any other existing service." The satellite phone system has proved its worth in the aftermath of natural disasters such as the Asian tsunami in 2004 and Hurricane Katrina in 2005.

Sources: Sarmad Ali, "Reliable Connections Broaden Demand for Satellite Phones," *The Wall Street Journal*, November 3, 2005, p. B1; Paul Davidson, "Satellite Phones Provide Critical Link to Outside World," *USA Today*, September 6, 2005, p. 3B; Quentin Hardy, "Iridium Gets U.S. as First Big Customer of Wireless Communications System," *The Wall Street Journal*, January 26, 1998, p. B6; Sally Beatty, "Iridium Hopes to Ring Up Global Sales," *The Wall Street Journal*, June 22, 1998, p. B8; Quentin Hardy, "Iridium Creates New Plan for Global Cellular Service," *The Wall Street Journal*, August 18, 1997, p. B4.

²⁴ Peter F. Drucker, "Marketing 101 for a Fast-Changing Decade," *The Wall Street Journal*, November 20, 1990, p. A17.

²⁵ Adam Jones, "How to Make Up Demand," *Financial Times*, October 3, 2006, p. 8.

Today's Iridium satellite telephone system operates on a much smaller scale than when the service was launched in 1999. Meanwhile, hoping to recover several billion dollars from the failed investment, creditors are suing Motorola in bankruptcy court. Among other things, the plaintiffs allege that Iridium overpaid Motorola for the satellites that it built. In 2007, a U.S. bankruptcy judge dismissed most of the claims against Motorola.



"When we first started, we said there is no existing market for Red Bull, but Red Bull will create it. And this is what finally became true."²⁶

Dietrich Mateschitz, creator of Red Bull energy drink, hired a market research firm to test Red Bull. The test indicated a negative reaction to the taste, the logo, and the brand name. Mateschitz ignored the research, and Red Bull is now a \$2 billion brand.

An **incipient market** is a market that will emerge if a particular economic, demographic, political, or sociocultural trend continues. A company is not likely to achieve satisfactory results if it offers a product in an incipient market before the trends have taken root. After the trends have had a chance to unfold, the incipient market will become latent and, later, existing. The concept of incipient markets can also be illustrated by the impact of rising income on demand for automobiles and other expensive consumer durables. As per capita income rises in a country, the demand for automobiles will also rise. Therefore, if a company can predict a country's future rate of income growth, it can also predict the growth rate of its automobile market. For example, to capitalize on China's rapid economic growth, Volkswagen, Peugeot, Chrysler, and other global automakers have established in-country manufacturing operations. There is even incipient demand in China for imported exotic cars; in early 1994, Ferrari opened its first showroom in Beijing. Because of a 150 percent import tax, China's first Ferrari buyers were entrepreneurs who had profited from China's increasing openness to Western-style marketing and capitalism. By the end of the 1990s, demand for luxury cars had grown at a faster rate than anticipated. Today, there are 30 million cars and light trucks for China's 1.3 billion people. Clearly, China is a very attractive market opportunity for carmakers.

By contrast, some companies have concluded that China has limited potential at present. For example, in 1998, U.K.-based retailer Marks & Spencer closed its office in Shanghai and tabled plans to open a store in China. Commenting to the press, a company representative directly addressed the issue of whether or not China represented an incipient market:

After three years of research, we have come to the conclusion that the timing is not right. The majority of our customers are from middle-income groups. But, our interest is in Shanghai, and the size of the middle-income group, although it is growing, is not yet at a level that would justify us opening a store there.²⁷

²⁶ Kerry A. Dolan, "The Soda with Buzz," *Forbes*, March 28, 2005, p. 126.

²⁷ James Harding, "Foreign Investors Face New Curbs on Ownership of Stores," *Financial Times*, November 10, 1998, p. 7.

Research Methodologies

Survey research, interviews, consumer panels, observation, and focus groups are some of the tools used to collect primary market data. These are the same tools used by marketers whose activities are not global; however, some adaptations and special considerations for global marketing may be required.

Survey research utilizes questionnaires designed to elicit quantitative data (“How much would you buy?”), qualitative responses (“Why would you buy?”), or both. Survey research is often conducted by means of a questionnaire distributed through the mail, by telephone, or in person. Many good marketing research textbooks provide details on questionnaire design and administration.

In global marketing research, a number of survey design and administration issues may arise. When using the telephone as a research tool, it is important to remember that what is customary in one country may be impossible in others because of infrastructure differences, cultural barriers, or other reasons. For example, telephone directories or lists may not be available; also, important differences may exist between urban dwellers and people in rural areas. In China, for example, the Ministry of Information Industry reports that 77 percent of households in coastal areas have at least one fixed-line telephone; in rural areas, the number is only 40 percent.

At a deeper level, culture shapes attitudes and values in a way that will directly affect people’s willingness to respond to interviewer questions. Open-ended questions may help the researcher identify a respondent’s frame of reference. In some cultures, respondents may be unwilling to answer certain questions, or they may intentionally give inaccurate answers.

Recall that Step 2 of the global market research process calls for identifying possible sources of SRC bias. This issue is especially important in survey research: SRC bias can originate from the cultural backgrounds of those designing the questionnaire. For example, a survey designed and administered in the United States may be inappropriate in non-Western cultures, even if it is carefully translated. This is especially true if the person designing the questionnaire is not familiar with the SRC. A technique known as **back translation** can help increase comprehension and validity; the technique requires that, after a questionnaire or survey instrument is translated into a particular target language, it is translated once again into the original by a different translator. For even greater accuracy, **parallel translations**—that is, two versions by different translators—can be used as input to the back translation. The same techniques can ensure that advertising copy is accurately translated into different languages.

Personal interviews allow researchers to ask “why?” and then explore answers with the respondent on a face-to-face basis.

A **consumer panel** is a sample of respondents whose behavior is tracked over time. For example, a number of companies, including the Nielsen Media Research unit of Netherlands-based VNU, AGB, GfK, and TNS, conduct television audience measurement (TAM) by studying the viewing habits of household panels. Broadcasters use audience share data to set advertising rates; advertisers such as Procter & Gamble, Unilever, and Coca-Cola use the data to choose programs during which to advertise. In the United States, Nielsen has enjoyed a virtual monopoly on viewership research for half a century. For years, however, the four major U.S. television networks have complained that they lose advertising revenues because Nielsen’s data collection methods undercount viewership. Nielsen has responded to these concerns by upgrading its survey methodology; the company now uses an electronic device known as a **peplemeter** to collect national audience data. Peplemeter systems are currently in use in dozens of countries around the world, including China; Nielsen is also rolling out peplemeters to collect local audience viewership data in key metropolitan markets, such as New York City.

When **observation** is used as a data collection method, one or more trained observers (or a mechanical device such as a video camera) watch and record the

The Peoplemeter

The peoplemeter is actually a system consisting of a monitor unit (one for each TV in a given panel household) that detects when a TV set is turned on and the channel to which it is tuned. The monitor prompts individual household members to identify themselves using a remote control. Another component identifies whether a VCR is being used. The final component is a data storage unit that is accessed once daily by the service provider. Even as Nielsen and its competitors attempt to provide a more accurate picture of TV viewing habits, however, media consumption patterns are changing. In a key finding, Nielsen reported a significant drop-off in viewership among American men aged 18 to 34. This group is spending more time surfing the Internet and playing video games,

often during prime TV viewing hours. Because this age group represents an important demographic for advertisers, Nielsen Entertainment, a separate unit of VNU, is developing new tools to monitor their media habits. For example, Nielsen is teaming with Activision, a video game company whose titles include *Tony Hawk's Pro Skater 4*; one of Nielsen's goals is to measure whether branded product placement in video games results in increased awareness and purchase intention among gamers. Nielsen is also working with TiVo, the leading personal video recorder service in the United States.

Sources: John Schwartz, "Leisure Pursuits of Today's Young Man," *The New York Times*, March 29, 2004, p. C1. See also Christopher Parkes, "Nielsen to Interact with Gaming Group," *Financial Times*, April 8, 2004, p. 22.

behavior of actual or prospective buyers. The research results are used to guide marketing managers in their decision making. For example, after Volkswagen's U.S. sales began to slump a few years ago, the company launched "Moonraker," an 18-month effort designed to help its engineers, marketers, and design specialists better understand American consumers. Despite the presence of a design center in California, decision makers at headquarters in Wolfsburg, Germany, generally ignored feedback from U.S. customers. As Stefan Liske, director of product strategy at VW, acknowledged, "We needed a totally different approach. We asked ourselves, 'Do we really know everything about this market?'" The Moonraker team visited the Mall of America in Minneapolis and the Rock and Roll Hall of Fame in Cleveland; they also spent spring break in Florida observing college students. The experience was an eye-opener; as one designer explained, "In Germany, it's all about driving, but here, it's about everything *but* driving. People here want to use their time in other ways, like talk on their cell phone." Another member of the team, an engineer, shadowed a single mom as she took her kids to school and ran errands. The engineer noted that American drivers need a place to store a box of tissues and a place to put a bag of fast food picked up at a drive-through window. "I began thinking about what specific features her car needed. It was about living the customer's life and putting ourselves in their place," he said.²⁸

A marketer of breakfast cereals might send researchers to preselected households at 6 AM to watch families go about their morning routines. The client could also assign a researcher to accompany family members to the grocery store to observe their behavior under actual shopping conditions. The client might wish to know about the shoppers' reactions to in-store promotions linked to an advertising campaign. The researcher could record comments using a cassette recorder or discretely take photographs with a small camera. Companies using observation as a research methodology must be sensitive to public concerns about privacy issues. A second problem with observation is **reactivity**, which is the tendency of research subjects to behave differently for the simple reason that they know they are under study. Additional examples include the following:

- Hoping to gain insights for product and package design improvements, Procter & Gamble (P&G) sent video crews into 80 households in the United Kingdom, Italy, Germany, and China. P&G's ultimate goal is to amass an in-house video library that can be directly accessed by key word searches. Stan Joosten, an IT manager, noted, "You could search for 'eating snacks'

²⁸ Gina Chon, "VW's American Road Trip," *The Wall Street Journal*, January 4, 2006, pp. B1, B9.

and find all clips from all over the world on that topic. Immediately, it gives you a global perspective on certain topics.”²⁹

- Michelle Arnau, a marketing manager for Nestlé’s PowerBar brand, attended the 2004 New York City Marathon to see how runners were using single-serve packets of PowerGel, a concentrated, performance-boosting gel in a single-serving packet. Arnau observed that runners typically tore off the top with their teeth and attempted to consume the gel in a single squeeze without breaking their stride. Arnau was dismayed to see that the long neck of the packet sometimes prevented the gel from flowing out quickly. Designers at Nestlé created an improved package with an upside-down triangular-shaped top that is narrow enough to control the flow of the gel but also fits into the athlete’s mouth.³⁰

In **focus group** research, a trained moderator facilitates discussion of a product concept, a brand’s image and personality, advertisement, social trend, or other topic with a group comprised of 6 to 10 people. Global marketers can use focus groups to arrive at important insights. For example:

- In the mid-1990s, Whirlpool launched a European advertising campaign that featured fantasy characters such as a drying diva and a washing-machine goddess. The campaign’s success prompted management to adapt it for use in the United States and Latin America. First, however, the company conducted focus groups to gauge reaction to the ads. Nick Mote, Whirlpool’s worldwide account director at France’s Publicis advertising agency, said, “We’ve had some incredible research results. It was just like somebody switched the lights on.”³¹
- In Singapore, focus groups comprised of young teens were used to help guide development of Coca-Cola’s advertising program. As Karen Wong, Coke’s country marketing director for Singapore, explained, “We tested everything from extreme to borderline boring: body-piercing all over, grungy kids in a car listening to rock music and head-banging all the way. Youth doing things that youth in America do.” Some participants found much of

Country	Technological/ Informational Infrastructure	Geographic Issues	Recommended Data Gathering Methodology	Privacy Issues
Brazil	Minimal. Government census is poor source of population data; difficult to get representative sample. Expensive to design a national probability sample. Lack of telephone penetration.	Research is expensive when sampling beyond metropolitan centers.	Face-to-face interviews; when interviewing broad socioeconomic groups, demo of interviewers should match demo of respondent group. Use street or mall intercept techniques. Security issues require use of teams. Researchers may offer a gift rather than cash as an incentive.	Wealthy respondents unlikely to answer questions about personal finance. To ensure confidentiality, banks bring interviewers based in the United States. To gain trust, ask respondents to recommend others.

Source: Adapted from Arundhati Parmar, “Tailor Techniques to Each Audience in Latin Market,” *Marketing News*, February 3, 2003, pp. 4–6.

²⁹ Emily Nelson, “P&G Checks Out Real Life,” *The Wall Street Journal*, May 17, 2001, pp. B1, B4.

³⁰ Deborah Ball, “The Perils of Packaging: Nestlé Aims for Easier Openings,” *The Wall Street Journal*, November 17, 2005, p. B1.

³¹ Kathryn Kranhold, “Whirlpool Conjures Up Appliance Divas,” *The Wall Street Journal*, April 27, 2000, p. B1.

Table 6-4

Market Research in Latin America

Coke's imagery—for example, a shirtless young man crowd surfing at a rock concert and careening down a store aisle on a grocery cart—too rebellious. As one young Singaporean remarked, “They look like they’re on drugs. And if they’re on drugs, then how can they be performing at school?” Armed with the focus group results, Coca-Cola's managers devised an ad campaign for Singapore that was well within the bounds of societal approval.³²

- When Blockbuster Video was planning its entry into Japan, the world's number two video rental market, the company convened focus groups to learn more about Japanese preferences and perceptions of existing video rental outlets. In the mid-1990s, most video stores in Japan were tiny operations with limited display space. Video titles were piled up from the floor to the ceilings, making it difficult to find and retrieve individual titles. Acting on the information provided by the focus groups, Blockbuster designed its Japanese stores with 3,000 square feet of floor space and display shelves that were more accessible.³³

A typical focus group meets at a facility equipped with recording equipment and a one-way mirror behind which representatives of the client company observe the proceedings. The moderator can utilize a number approaches to elicit reactions and responses, including projective techniques, visualization, and role plays. When using a **projective technique**, the researcher presents open-ended or ambiguous stimuli to a subject. Presumably, when verbalizing a response, the subject will “project”—that is, reveal—his or her unconscious attitudes and biases. By analyzing the responses, researchers are better able to understand how consumers perceive a particular product, brand, or company. For example, in a focus group convened to assess car-buying preferences among a Striver-type segment, the researcher might ask participants to describe a party where various automotive brands are present. What is Nissan wearing, eating, and drinking? What kind of sneakers does Honda have on? What are their personalities like? Who's shy? Who's loud? Who gets the girl (or guy)? Interaction among group members can result in synergies that yield important qualitative insights that are likely to differ from those based on data gathered through more direct questioning. Focus group research is a technique that has grown in popularity. However, some industry observers caution that the technique has been used so much that participants, especially those who are used on a regular basis, have become overly familiar with its workings.

Focus group research yields qualitative data that does not lend itself to statistical projection. Such data suggests rather than confirms hypotheses; also, qualitative data tends to be directional rather than conclusive. Such data is extremely valuable in the exploratory phase of a project and is typically used in conjunction with data gathered via observation and other methods.

Scale Development

Market research requires assigning some type of measure, ranking, or interval to a response. To take a simple example of measurement, a *nominal scale* is used to establish the identity of a survey element. For example, male respondents could be labeled “1” and female respondents could be labeled “2.” Scaling can also entail placing each response in some kind of continuum; a common example is the Likert scale that asks respondents to indicate whether they “strongly agree” with a statement, “strongly disagree,” or whether their attitude falls somewhere in the middle. In a multicountry research project, it is important to

³² Cris Prystay, “Selling to Singapore's Teens Is Tricky,” *The Wall Street Journal*, October 4, 2002, p. B4.

³³ Khanh T. L. Tran, “Blockbuster Finds Success in Japan That Eluded the Chain in Germany,” *The Wall Street Journal*, August 28, 1998, p. A14.

have **scalar equivalence**, which means that two respondents in different countries with the same value for a given variable receive equivalent scores on the same survey item.

Even with standard data-gathering techniques, the application of a particular technique may differ from country to country. Matthew Draper, vice president at New Jersey-based Total Research Corporation, cites “scalar bias” as a major problem: “There are substantial differences in the way people use scales, and research data based on scales such as rating product usefulness on a scale of 1 to 10 is therefore frequently cluttered with biases disguising the truth.” For example, while the typical American scale would equate a high number such as 10 with “most” or “best” and 1 with “least,” Germans prefer scales in which 1 is “most/best.” Also, while American survey items pertaining to spending provide a range of figures, Germans prefer the opportunity to provide an exact answer.³⁴

Sampling

When collecting data, researchers generally cannot administer a survey to every possible person in the designated group. A sample is a selected subset of a population that is representative of the entire population. The two best-known types of samples are probability samples and nonprobability samples. A probability sample is generated by following statistical rules that ensure that each member of the population under study has an equal chance—or probability—of being included in the sample. The results of a probability sample can be projected to the entire population with statistical reliability reflecting sampling error, degree of confidence, and standard deviation.

The results of a nonprobability sample cannot be projected with statistical reliability. One form of nonprobability sample is a *convenience sample*. As the name implies, researchers select people who are easy to reach. For example, in one study that compared consumer shopping attitudes in the United States, Jordan, Singapore, and Turkey, data for the latter three countries were gathered from convenience samples recruited by an acquaintance of the researcher. Although data gathered in this way are not subject to statistical inference, they may be adequate to address the problem defined in Step 1. In this study, for example, the researchers were able to identify a clear trend toward cultural convergence in shopping attitudes and customs that cut across modern industrial countries, emerging industrial countries, and developing countries.³⁵

To obtain a *quota sample*, the researcher divides the population under study into categories; a sample is taken from each category. The term *quota* refers to the need to make sure that enough people are chosen in each category to reflect the overall makeup of the population. For example, assume a country’s population may be divided into six categories according to monthly income as follows:

Percent of population	10%	15%	25%	25%	15%	10%
Earnings per month	0–9	10–19	20–39	40–59	60–69	70–100

If it is assumed that income is the characteristic that adequately differentiates the population for study purposes, then a quota sample would include respondents of different income levels in the same proportion as they occurred in the population, that is, 15 percent with monthly earnings from 10 to 19, and so on.

³⁴ Jack Edmonston, “U.S., Overseas Differences Abound,” *Business Marketing* (January 1998), p. 32.

³⁵ Eugene H. Fram and Riad Ajami, “Globalization of Markets and Shopping Stress: Cross-Country Comparisons,” *Business Horizons* 37, no. 1 (January–February 1994), pp. 17–23.

Step 7: Analyzing Data³⁶

The data collected up to this point must be subjected to some form of analysis if it to be useful to decision makers. Although a detailed discussion is beyond the scope of this text, a brief overview is in order. First, the data must be prepared—the term *cleaned* is sometimes used—before further analysis is possible. It must be logged and stored in a central location or database; when research has been conducted in various parts of the world, rounding up data can pose some difficulties. Are data comparable across samples so that multicountry analysis can be performed? Some amount of editing may be required; for example, some responses may be missing or difficult to interpret. Next, questionnaires must be coded. Simply put, coding involves identifying the respondents and the variables. Finally, some data adjustment may be required.

Data analysis continues with *tabulation*, that is, the arrangement of data in tabular form. Researchers may wish to determine various things: the mean, median, and mode; range and standard deviation; and the shape of the distribution (e.g., normal curve). For nominally scaled variables such as “male” and “female,” a simple cross-tabulation may be performed. Suppose, for example, Nielsen Media Research surveyed video gamers to determine how they felt about products (e.g., soft drinks) and advertisements (e.g., a billboard for a cell phone) embedded in video games. Nielsen could use cross-tabulation to separately examine the responses of male and female subjects to see if their responses differed significantly. If females were equally or more positive in their responses than males, video game companies could use this information to persuade consumer products companies to pay to have select products targeted at women featured as integral parts of the game. Researchers can also use various relatively simple statistical techniques such as hypothesis testing and chi-square testing; advanced data analysis such as analysis of variance (ANOVA), correlation analysis, and regression analysis can also be used.

If the researcher is interested in the interaction between variables, *interdependence techniques* such as factor analysis, cluster analysis, and multidimensional scaling (MDS) can be used. **Factor analysis** can be used to transform large amounts of data into manageable units; specialized computer programs perform data reduction by “distilling out” a few meaningful factors that underlie attitudes and perceptions from a multitude of survey responses. Factor analysis is useful in psychographic segmentation studies; it can also be used to create perceptual maps. In this form of analysis, variables are not classified as dependent or independent. Subjects are asked to rate specific product benefits on five-point scales; Table 6-5 shows a hypothetical scale that Nokia might use to assess

Table 6-5

Hypothetical Scales for Obtaining
Consumer Perceptions of Nokia
Music Phone

Instructions: Please rate this product
on the following product
characteristics or benefits.

Variables (Product Characteristic/Benefit)	Rating				
	Low 1	2	3	4	High 5
1. Long battery life	_____	_____	_____	_____	_____
2. Many games available	_____	_____	_____	_____	_____
3. Wireless Internet access	_____	_____	_____	_____	_____
4. Thin case	_____	_____	_____	_____	_____
5. Attractive styling	_____	_____	_____	_____	_____
6. Music file storage capacity	_____	_____	_____	_____	_____
7. Bright display screen	_____	_____	_____	_____	_____
8. Fits hand comfortably	_____	_____	_____	_____	_____
9. Works anywhere in the world	_____	_____	_____	_____	_____
10. Custom face plates available	_____	_____	_____	_____	_____

³⁶ Parts of this section are adapted from Glen L. Urban, John R. Hauser, and Nikhilesh Dholakia, *Essentials of New Product Management* (Upper Saddle River, NJ: Prentice Hall, 1987), Chapters 6 and 7.

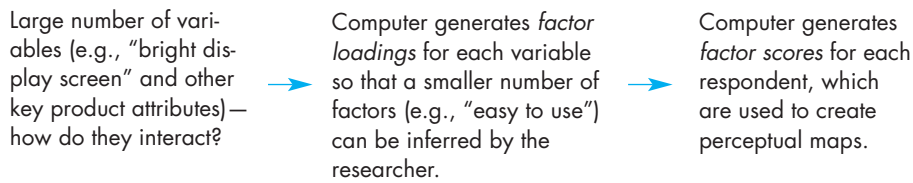


Figure 6-2
How Factor Analysis Works

consumer perceptions of a new combination cell phone/digital music player. Although the scale shown in Table 6-5 lists ten characteristics/benefits, factor analysis will generate *factor loadings* that enable the researcher to determine two or three factors that underlie the benefits. That is why it is said that factor analysis results in data reduction. For the N-Gage, the researcher might label the factors “easy to use” and “stylish.” The computer will also output *factor scores* for each respondent; respondent 1 might have a factor score of .35 “easy to use”; respondent 2 might have .42, and so on. When all respondents’ factor scores are averaged, the position of Nokia’s music phone position on a perceptual map can be determined. Similar determinations can be made for other cell phone brands.

Cluster analysis allows the researcher to group variables into clusters that maximize within-group similarities and between-group differences. Cluster analysis shares some characteristics of factor analysis: It does not classify variables as dependent or independent, and it can be used in psychographic segmentation. Cluster analysis is well suited to global marketing research because similarities and differences can be established between local, national, and regional markets of the world. Cluster analysis can also be used to perform benefit segmentation and identify new product opportunities.

MDS is another technique for creating perceptual maps. When the researcher is using MDS, the respondent is given the task of comparing products or brands, one pair at a time, and judging them in terms of similarity. The researcher then infers the dimensions that underlie the judgments. MDS is particularly useful when there are many alternatives from which to choose—soft drink, toothpaste, or automotive brands, for instance—and when consumers may have difficulty verbalizing their perceptions. To create a well-defined spatial map, a minimum of eight products or brands should be used.

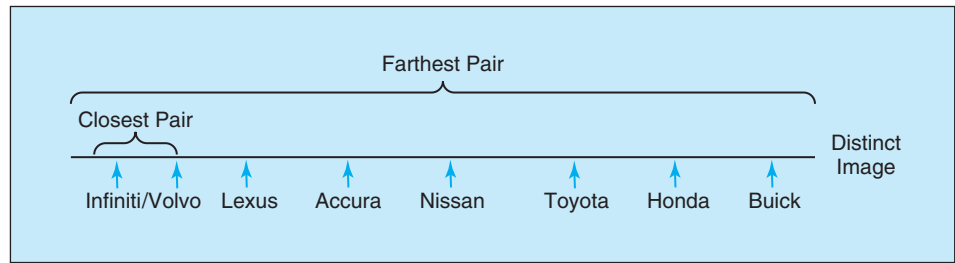
Suppose, for example, that a consumer uses an underlying perceptual dimension of “distinct image” in assessing the similarity of pairs of crossover SUVs. Table 6-6 shows a five-point similarity judgment scale for eight current

	Very Similar			Very Different	
	1	2	3	4	5
Acura MDX/ Volvo XC90	_____	_____	_____	_____	_____
Acura MDX/Infiniti FX45	_____	_____	_____	_____	_____
Acura MDX/Lexus RX330	_____	_____	_____	_____	_____
Acura MDX/Honda Pilot	_____	_____	_____	_____	_____
Acura MDX/Nissan Murano	_____	_____	_____	_____	_____
Acura MDX/Buick Rendezvous	_____	_____	_____	_____	_____
Acura MDX/Toyota Highlander	_____	_____	_____	_____	_____
Volvo XC90/Infiniti FX45	_____	_____	_____	_____	_____
Volvo XC90/Lexus RX330	_____	_____	_____	_____	_____
Volvo XC90/Honda Pilot	_____	_____	_____	_____	_____
Volvo XC90/Nissan Murano	_____	_____	_____	_____	_____
Volvo XC90/Buick Rendezvous	_____	_____	_____	_____	_____
Volvo XC90/Toyota Highlander	_____	_____	_____	_____	_____

Table 6-6
MDS Study Inputs: Similarity Judgment Scales for Pairs of Crossover SUVs

Figure 6-3

Hypothetical One-Dimensional Illustration of Similarity Judgments

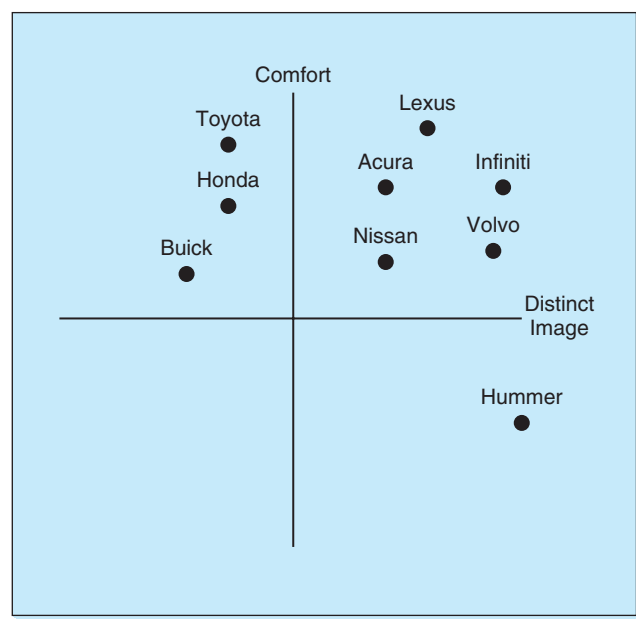


crossover SUV models. Figure 6-3 shows the position of the eight SUV brands on the “distinct image” dimension for a hypothetical respondent. The figure shows that Infiniti and Volvo are the most similar while Infiniti and Buick are the farthest apart. The responses help marketers understand which brands in a particular category—crossover SUV brands in this example—are in direct competition with each other and which are not. The responses are input into a computer running an MDS program; the output is a perceptual map such as that shown in Figure 6-4. Once the computer has generated the map, the marketer examines the positions of different SUV models and infers the dimensions, which in this case are “comfort” and “distinct image.” Such a map would have been helpful to, say Kia when management was designing its second-generation Sportage crossover SUV.

Dependence techniques assess the interdependence of two or more dependent variables with one or more independent variables. Conjoint analysis is an example of a dependence technique that is useful in both single market and global market research. To continue with the SUV example, suppose Kia’s new product team has selected an ideal position on Figure 6-4; now the task is to select specific product features that will deliver that positioning. The researchers want to determine the relative importance of a product’s *salient attributes* in consumer decision making; that is, the relevance or importance that consumers attach to a product’s qualities or properties. If the target position is “smooth, car-like ride while protecting your family,” the team must determine relevant physical product characteristics (e.g., 6-cylinder engine, rollover sensors, side-curtain airbags, and onboard global

Figure 6-4

Hypothetical MDS-based Perceptual Map for Crossover SUVs



	Engine Size	Side-Curtain Airbags	Warranty	Price
Level 1	—	Side-curtain airbags for front-seat passengers only	—	\$22,500
Level 2	6 cylinder	Side-curtain airbags for front-seat and middle passengers	5 years	\$27,500
Level 3	8 cylinder	Side-curtain airbags for front-seat, middle, and third-row passengers	10 years	\$32,500

Table 6-7

Product Feature Combinations for Crossover SUV

positioning system). The team must also determine other characteristics (e.g., price, mileage, warranty, etc.) that consumers most prefer. Each attribute should be available in different levels (e.g., 5-year or 10-year warranty). **Conjoint analysis** is a tool that researchers can use to gain insights into the combination of features that will be most attractive to consumers; it is assumed that features affect both perception and preferences. Table 6-7 shows a listing of possible features; a total of 36 combinations are possible. In a full-profile approach, each of these combinations (e.g., 6 cylinder, side-curtain airbags for three rows, 5-year warranty, \$27,500) is printed on an index card, and consumers are asked to rank them in order by preference. Conjoint analysis then determines the values or *utilities* of the various levels of product features and plots them graphically. Because the number of combinations can overwhelm subjects and lead to fatigue, it is sometimes preferable to use a pair-wise approach that allows them to consider two attributes at a time.

Better marketing research might have helped Nokia in its struggle to maintain leadership in the highly competitive global cellular phone market. Nokia focused on the functionality and features of its phones, even as consumer tastes and preferences were shifting to trendy styling and features such as cameras and large color screens. For years, Nokia only manufactured so-called “candy bar” phones; because executives believed that the shape was a signature of the Nokia brand, the company did not offer flip (clamshell), slide, or swivel styles. Meanwhile, Sony, LG, Samsung, and Motorola were offering sleek new designs. In Europe, Nokia’s market share fell from 51 percent in 2002 to about 33 percent in 2004. “Nokia didn’t have the coolness factor,” says industry consultant Jack Gold. “They didn’t really do flip phones; they were a little late with cameras, and they didn’t push them. Coolness in the consumer space is a big deal, and they were stodgy.” Ansii Vanjoki, Nokia’s head of multimedia, acknowledges, “We read the signs in the marketplace a bit wrong. The competition was emphasizing factors such as color richness and screen size. That’s attractive at the point of sale. We missed that one.”³⁷

Comparative Analysis and Market Estimation by Analogy

One of the unique opportunities in global marketing analysis is to conduct comparisons of market potential and marketing performance in different country or regional markets at the same point in time. A common form of comparative analysis is the intracompany cross-national comparison. For example, general market conditions in two or more countries (as measured by income, stage of industrialization, or some other indicator) may be similar. If there is a significant discrepancy between per capita sales of a given product in the countries, the marketer might reasonably wonder about it and determine what actions need to be taken.

- Soon after George Fisher became CEO of Kodak, he asked for a review of market share in color film on a country-by-country basis. Fisher was shocked to learn that Kodak’s market share in Japan was only 7 percent,

³⁷ Nelson D. Schwartz and Joan M. Levinstein, “Has Nokia Lost It?” *Fortune*, January 24, 2005, pp. 98–106.

compared with 40 percent in most other countries. The situation prompted Fisher to lodge a petition with the U.S. trade representative seeking removal of alleged anticompetitive barriers in Japan. The WTO ultimately ruled against Kodak.

- Campbell's commands nearly 80 percent of the U.S. canned soup market. However, former CEO Dale Morrison set aggressive growth goals for Campbell based on figures showing that Campbell's has just 10 percent market share throughout the rest of the world.³⁸
- Catalog sales in the United States represent about 3 percent of overall retail sales. By comparison, catalog sales in Germany account for 5.8 percent of overall sales. This suggests that there is a catalog marketing opportunity in Germany.³⁹

In these examples, data are, for the most part, available. However, global marketers may find that certain types of desired data are unavailable for a particular country market. This is especially true in developing country markets. If this is the case, it is sometimes possible to estimate market size or potential demand by analogy. Drawing an *analogy* is simply stating a partial resemblance. For example, the advertising and computer industries in the United States both have geographic nicknames. The advertising industry is often referred to as "Madison Avenue," while the phrase "Silicon Valley" is synonymous with California's high-tech industry center. Suppose someone is familiar with the Silicon Valley but has never heard of Madison Avenue. One way to explain it is to say that Silicon Valley is to the computer industry as Madison Avenue is to the advertising industry. Statements such as this are analogies. Analogy reduces the unknown by highlighting the "commonness" of two different things.⁴⁰

David Arnold notes that there are four possible approaches to forecasting by analogy:⁴¹

- Data is available on a comparable product in the same country.
- Data is available on the same product in a comparable country.
- Data is available on the same product from an independent distributor in a neighboring country.
- Data is available about a comparable company in the same country.

Time-series displacement is an analogy technique based on the assumption that an analogy between markets exists in different time periods. Displacing time is a useful form of market analysis when data are available for two markets at different levels of development. The time displacement method requires a marketer to estimate when two markets are at similar stages of development. For example, the market for Polaroid instant cameras in Russia at the present time is comparable to the instant camera market in the United States in the mid-1960s. By obtaining data on the factors associated with demand for instant cameras in the United States in 1964 and in Russia today, as well as actual U.S. demand in 1964, one could estimate current potential in Russia.

³⁸ Amy Barrett, "Souping Up Campbell's," *Business Week*, November 3, 1997, p. 70.

³⁹ Cecilie Rohwedder, "U.S. Mail-Order Firms Shake Up Europe," *The Wall Street Journal*, January 6, 1998, p. A15.

⁴⁰ Ikujiro Nonaka and Hirotaka Takeuchi, *The Knowledge-Creating Company* (Cambridge, MA: Harvard Business School Press, 1995), p. 67. As Nonaka and Takeuchi explain, "Metaphor and analogy are often confused. Association of two things through metaphor is driven mostly by intuition and holistic imagery and does not aim to find differences between them. On the other hand, association through analogy is carried out by rational thinking and focuses on structural/functional similarities between two things . . . Thus analogy helps us understand the unknown through the known. . . ."

⁴¹ David Arnold, *The Mirage of Global Markets* (Upper Saddle River, NJ: Financial Times Prentice Hall, 2004), pp. 41–43.

Step 8: Presenting the Findings

The report based on the market research must be useful to managers as input to the decision-making process. Whether the report is presented in written form, orally, or electronically via videotape, it must relate clearly to the problem or opportunity identified in Step 1. Generally, it is advisable for major findings to be summarized concisely in a memo that indicates the answer or answers to the problem first proposed in Step 1. Many managers are uncomfortable with research jargon and complex quantitative analysis. Results should be clearly stated and provide a basis for managerial action. Otherwise, the report may end up on the shelf, where it will gather dust and serve as a reminder of wasted time and money. As the data provided by a corporate information system and market research become increasingly available on a worldwide basis, it becomes possible to analyze marketing expenditure effectiveness across national boundaries. Managers can then decide where they are achieving the greatest marginal effectiveness for their marketing expenditures and can adjust expenditures accordingly.

HEADQUARTERS CONTROL OF MARKETING RESEARCH

An important issue for the global company is where to locate control of the organization's research capability. The difference between a multinational, polycentric company and a global, geocentric company on this issue is significant. In the multinational company, responsibility for research is delegated to the operating subsidiary. The global company delegates responsibility for research to operating subsidiaries but retains overall responsibility and control of research as a headquarters' function. A key difference between single-country market research and global market research is the importance of comparability. In practice, this means that the global company must ensure that research is designed and executed so as to yield comparable data.

Simply put, **comparability** means that the results can be used to make valid comparisons between the countries covered by the research.⁴² To achieve this, the company must inject a level of control and review of marketing research at the global level. The director of worldwide marketing research must respond to local conditions as he or she develops a research program that can be implemented on a global basis. The research director must pay particular attention to whether data gathered is based on emic analysis or etic analysis. These terms, which come from anthropology, refer to the perspective taken in the study of another culture. **Emic analysis** is similar to ethnography in that it attempts to study a culture from within, using its own system of meanings and values. **Etic analysis** is "from the outside"; in other words, it is a more detached perspective that is often used in comparative or multicountry studies. In a particular research study, an etic scale would entail using the same set of items across all countries. This approach enhances comparability but some precision is lost. By contrast, an emic study would be tailored to fit a particular country; inferences about cross-cultural similarities based on emic research have to be made subjectively. A good compromise is to use a survey instrument that incorporates elements of both types of analysis. It is likely that the marketing director will end up with a number of marketing programs tailored to clusters of countries that exhibit within-group similarities. The agenda of a coordinated worldwide research program might look like the one in Table 6-8.

⁴² V. Kumar, *International Marketing Research* (Upper Saddle River, NJ: Prentice Hall, 1999), p. 15.

Table 6-8*Worldwide Marketing
Research Plan*

Research Objective	Country Cluster A	Country Cluster B	Country Cluster C
Identify market potential			X
Appraise competitive intentions		X	X
Evaluate product appeal	X	X	X
Study market response to price	X		
Appraise distribution channels	X	X	X

The director of worldwide research should not simply direct the efforts of country research managers. His or her job is to ensure that the corporation achieves maximum results worldwide from the total allocation of its research resources. Achieving this requires that personnel in each country are aware of research being carried out in the rest of the world and are involved in influencing the design of their own in-country research as well as the overall research program. Ultimately, the director of worldwide research must be responsible for the overall research design and program. It is his or her job to take inputs from the entire world and produce a coordinated research strategy that generates the information needed to achieve global sales and profit objectives.

The Marketing Information System as a Strategic Asset

The advent of the transnational enterprise means that boundaries between the firm and the outside world are dissolving. Marketing has historically been responsible for managing many of the relationships across that boundary. The boundary between marketing and other functions is also dissolving, and the traditional notion of marketing as a distinct functional area within the firm may be giving way to a new model. The process of marketing decision making is also changing, largely because of the changing role of information from a support tool to a wealth-generating, strategic asset.

Many global firms are creating flattened organizations, with less hierarchical, less centralized decision-making structures. Such organizations facilitate the exchange and flow of information between otherwise noncommunicative departments. The more information intensive the firm, the greater the degree to which marketing is involved in activities traditionally associated with other functional areas. In such firms there is parallel processing of information.

Information intensity in the firm has an impact on perceptions of market attractiveness, competitive position, and organizational structure. The greater a company's information intensity, the more the traditional product and market boundaries shift. In essence, companies increasingly face new sources of competition from other firms in historically noncompetitive industries, particularly if those firms are also information intensive. One example is the emergence of the "superindustry," combining telecommunications, computers, financial services, and retailing into what is essentially an information industry. Such diverse firms as AT&T, IBM, Merrill Lynch, Citicorp, and Sears now find themselves in direct competition with each other. They offer essentially the same products, although not as a result of diversification. Rather, the new competition reflects a natural extension and redefinition of traditional product lines and marketing activities. Today, when a company speaks of "value added," it is less likely to be referring to unique product features. Rather, the emphasis is on the information exchanged as part of customer transactions, much of which cuts across traditional product lines.

Information is one of the most basic ingredients of a successful marketing strategy. A company's **management information system (MIS)** and **intranet** provide decision makers with a continuous flow of information. **Information technology (IT)** is profoundly affecting global marketing activities by allowing managers to access and manipulate data to assist in decision making. **Electronic data interchange (EDI)**, **electronic point of sale (EPOS)** data, **efficient consumer response (ECR)**, **customer relationship management (CRM)**, and **data warehouses** are some of the new tools and techniques available. The global marketer must scan the world for information about opportunities and threats and make information available via a management information system.

Formal **market research**—the project-specific, systematic gathering of data—is often required before marketers make key decisions. **Global market research** links customers and marketers through information gathered on a global scale. The research process begins when marketers define the problem and set research objectives; this step may entail assessing whether a particular market should be classified as **latent** or **incipient**. A research plan specifies the relative amounts of **qualitative** and **quantitative** information desired. Information is collected using either **primary** or **secondary data**

sources. In today's wired world, the Internet has taken its place alongside more traditional channels as an important secondary information source. In some instances, the cost of collecting primary data may outweigh the potential benefits. Secondary sources are especially useful for researching a market that is too small to justify a large commitment of time and money.

If collection of primary data can be justified on a cost-benefit basis, research can be conducted via **surveys**, **personal interviews**, **consumer panels**, **observation**, and **focus groups**. Before collecting data, researchers must determine whether a probability sample is required. In global marketing, careful attention must be paid to issues such as eliminating cultural bias in research, accurately translating surveys, and ensuring data **comparability** in different markets. A number of techniques are available for analyzing survey data, including **factor analysis**, **cluster analysis**, **multidimensional scaling (MDS)**, and **conjoint analysis**. Researchers must present findings and recommendations clearly. A final issue is how much control headquarters will have over research and the overall management of the organization's information system. To ensure comparability of data, the researcher should utilize both **emic** and **etic** approaches.

1. Explain how information technology puts powerful tools in the hands of global marketers.
2. Assume that you have been asked by the president of your organization to devise a systematic approach to scanning. The president does not want to be surprised by major market or competitive developments. What would you recommend?
3. Outline the basic steps of the market research process.

4. How can the SRC affect the global market research process?
5. What is the difference between existing, latent, and incipient demand? How might these differences affect the design of a marketing research project?
6. Describe some of the analytical techniques used by global marketers. When is it appropriate to use each technique?

1. Coach, the company introduced in the opening vignette, has been described as "a textbook lesson on how to revitalize a brand." The same could be said for Burberry, the British fashion goods company discussed in Chapter 1. Locate some

articles about Burberry and read about the decisions its management has made and the formula it used to polish the brand. Are the approaches evident at the two companies similar? Are they competitors?

web resources

www.imf.org

www.jetro.org

www.unsystem.org

www.worldbank.org

www.odci.gov/cia/publications/factbook

www.miti.go.jp

www.euromonitor.com

www.ft.com

www.MarketResearch.com

www.euromonitor.com

Focus group moderators are also known as *qualitative researchers*. Many belong to the Qualitative Research Consultants Association. The QRCA Web site includes the Association's code of ethics and links to other research-oriented sites. The Web site for the U.K.-based Association of Qualitative Research (AQR) includes a concise history of qualitative research.

www.qrca.org

www.aqr.co.uk

Case 6-1

Research Helps Whirlpool Act Local in the Global Market

Whirlpool Corporation, headquartered in Benton Harbor, Michigan, is the number one appliance company in the United States and number two worldwide. The company sells more than \$18 billion worth of “white goods” each year; this category includes refrigerators, stoves, washing machines, and microwave ovens. Whirlpool’s success has been achieved in part by offering products in three different price ranges: top-of-the-line Kitchen Aid appliances, the medium-priced Whirlpool and Sears Kenmore lines, and Roper and Estate at the low end. In part, the impetus for overseas expansion comes from a mature domestic market that is only growing 2 percent or 3 percent annually. However, Whirlpool is not new to foreign markets; the company has been in Latin America since 1957. Today, it is the market share leader in that region.

At the beginning of 1993, David Whitwam, who was chairman and CEO of Whirlpool Corporation, told an interviewer, “Five years ago we were essentially a domestic company. Today about 40 percent of our revenues are overseas, and by the latter part of this decade, a majority will be.” The CEO’s comments came three years after he placed his first bet that the appliance industry is globalizing. By acquiring Philips Electronics’ European appliance business for \$1 billion, Whirlpool vaulted into the number three position in Europe. Whitwam pledged another \$2 billion investment in Europe alone. As the decade of the 1990s drew to a close, however, Whitwam’s ambitious plans for expanding beyond Europe into Japan and the developing nations in Asia and Latin America hadn’t yet achieved the desired results. Noting that Whirlpool stock underperformed the bull market of the 1990s, analysts began questioning whether Whitwam’s global vision was on target. As one analyst put it, “The strategy has been a failure. Whirlpool went big into global markets and investors have paid for it.” Others fault the company on execution. Another analyst said, “I respect Whirlpool’s strategy. They just missed on the blocking and tackling.”

The challenge facing Whirlpool is rooted partially in the structure of the appliance industry. In Europe, for example, the presence of more than 200 brands and 170 factories makes the appliance industry highly fragmented and highly competitive. Electrolux, a Swedish company, ranks number one. European appliance sales have been flat for years, with sales volumes growing at a mere 1 percent or 2 percent; industry overcapacity is a major issue. Although analysts expect to see a surge in demand from Central and Eastern Europe within a few years, there will also be an influx of products from low-cost producers in those regions. To cut costs and bring margins up, the company has streamlined its European organization. Four regional sales offices replaced sales organizations in 17 separate countries. Hank Bowman, president of Whirlpool Europe BV, trimmed the number of warehouses from 30 to 16 and hopes eventually to have as few as 5 or 6. A global parts-sourcing strategy has helped reduce the number of suppliers by 40 percent. Over the course of several years, Whirlpool invested hundreds of millions of dollars in

new-product development. It has already begun marketing a new clothes dryer designed to operate more efficiently and provide higher quality despite containing fewer parts.

Bowman believes that a global market segmentation approach is the key to success in Europe. Whirlpool relies heavily on market research to maintain its leadership in the United States; listening to consumers is important in Europe and Latin America as well. “Research tells us that the trends, preferences and biases of consumers, country by country, are reducing as opposed to increasing,” Bowman said recently. He believes that European homemakers fall into distinct “Euro-segments”—traditionalists and aspirers, for example—allowing Whirlpool to duplicate the three-tiered approach to brands that has worked so well in the United States. The Bauknecht brand is positioned at the high end of the market, with Whirlpool in the middle, and Ignis at the lower end. For example, appliance shoppers in Germany visiting a department store such as Saturn can choose a Bauknecht Neptun 1400 priced at €699 or a Whirlpool for €369.

Research has also indicated that consumers in different countries prefer different types of features. Thus, Whirlpool has begun emphasizing product platforms as a means to produce localized versions of ovens, refrigerators, and other appliance lines more economically. A platform is essentially a



technological core underneath the metal casing of an appliance. The platform—for example, the compressor and sealant system in a refrigerator—can be the same throughout the world. Country or region-specific capabilities can be added late in the production cycle. The goal was to cut 10 percent from Whirlpool's \$200 million annual production development budget and achieve a 30 percent productivity increase among the company's 2,000 member product-development staff. Ultimately, the platform project team hopes to reduce the total number of platforms in the company from 135 to 65. Specific goals include reducing the number of dishwasher platforms from 6 to 3, and refrigerator platforms from 48 to 25.

Market research also drives the search for new products that address the specific needs of developing markets. In Brazil, for example, Whirlpool's market entry strategy included acquiring two local established appliance brands, Brastemp and Consul. However, with a basic washer priced at \$300, even the low end of Whirlpool's product lines proved to be too expensive for many Brazilians. Economic data indicated that Brazil's 30 million low-income households, many with monthly incomes of about \$220, account for about one-third of national consumption. Moreover, studies showed that these households ranked an automatic washer second only to a cell phone as an aspirational purchase. Whirlpool's researchers convened focus groups and made visits to representative low-income households. Marcele Rodrigues is director of laundry technology at Multibrás SA Eletrodomésticos, Whirlpool's Brazilian division. "It wasn't a matter of stripping down an existing model," he noted recently. "We had to innovate for the masses."

Whirlpool's response was to develop what it proudly calls the world's least expensive automatic washer. The company has a strong team of engineers and industrial designers in Brazil, as well as some of its most technologically advanced factories. Despite the fact that Brazil's economy was in turmoil, Whirlpool invested \$30 million to develop the new washer, the Ideale, to meet the needs of a large class of consumers who still wash clothes by hand. One cost-saving design breakthrough was a patentable technology that allows the machine to switch from the wash cycle to the spin cycle without shifting gears. The design involves some performance compromises: Compared with more expensive models, the spin cycle takes longer and clothes come out damper. However, research indicated that these were not critical issues for most consumers.

Focus group research also indicated that consumers would find a smaller capacity washer acceptable because low-income families do laundry more often. Because Brazilian housewives like to wash floors underneath furniture, the Ideale sits high on four legs as opposed to resting on the floor as most conventional units do. Perhaps the most significant thing that the Ideale design team learned from its research was that form matters too. As Emerson Do Valle, vice president of Multibrás, explained, "We realized the washer should be aesthetically pleasing; it's a status symbol for these people." The team selected a rounded design with a yellow start button and blue lettering on the control panel. Because white is widely

associated with cleanliness in Brazil, the Ideale is only available in white.

Although the Ideale incorporates many design features that appeal to consumers in Brazil, adaptations of the Ideale platform are also being manufactured and marketed in China and India. In India, the color options include green, blue, and white; the setting for delicate fabrics is labeled "sari." Also, the Indian units are mounted on casters so they can be moved easily.

In China, an appliance with a white exterior would be undesirable because of the prevailing belief that white shows dirt easily. For that reason, the Chinese Ideale is available in light blue and gray. In addition, the heavy-duty wash cycle in China is labeled "grease removal" for the simple reason that many Chinese use bicycles for daily transportation. Although the majority of Chinese washing machines have separate tubs for the wash and spin cycles, sales of single-drum washers such as the Ideale and a new frontloading model, the Sunrise, are growing. Overall, washer sales in China totaled 16.5 million units in 2005; Whirlpool expects that number to reach 22.2 million by 2011.

After a decade of losses, Whirlpool China finally posted a profit in 2006. The company first entered the market in the mid-1990s via joint ventures with local partners. Whirlpool called its strategy "T-4": offering refrigerators, washing machines, microwave ovens, and air conditioners, the four most-sought home appliances. Several of the ventures quickly went sour; as one executive recalls, "We quickly jumped into joint ventures without insights into Chinese consumers. We brought in North American know-how, but we also needed to distill local know-how." For one thing, Whirlpool underestimated the speed at which Haier and other local competitors are evolving into world-class manufacturers. Company executives note that, since China joined the World Trade Organization in 2001, it has been easier for Western companies to do business there.

In 2006, Jeff M. Fettig succeeded David Whitwam as Whirlpool's CEO and chairman. If emerging markets are to be drivers of global growth under Fettig's leadership, Whirlpool will have to build brand recognition in countries such as Brazil, India, and China. Also, consumers in emerging markets must be persuaded to move beyond washing machines to purchase some of the company's other appliances. That trend is already gaining traction: Middle-class Chinese consumers are splurging on high-end appliances such as a side-by-side Whirlpool refrigerator that costs the equivalent of \$2,500. Many of the units find their way into living rooms. As Michael Todman, president of Whirlpool International, noted, "Appliances can be furniture, too. It's a source of pride to own one: 'Gee, look what I can own. I'm doing well.'"

Discussion Questions

1. Describe Whirlpool's global marketing strategy.
2. Summarize the role of market research in Whirlpool's globalization strategy. What different types of research methodologies does the company use? What are the advantages of each methodology described in the case?

3. Do you believe developing products for low-income consumers in emerging markets is the right strategy?
4. What are the key lessons to be learned from Whirlpool's experience in China?

Sources: Calum McCleod, "Whirlpool Spins China Challenge into Turnaround," *USA Today*, April 5, 2007, pp. 1B, 2B; Miriam Jordan and Jonathan Karp, "Machines for the Masses," *The Wall Street Journal*, December 9, 2003, pp. B1, B2; Katheryn Kranhold, "Whirlpool Conjures Up Appliance Divas," *The Wall Street Journal*, April 27, 2000, p. B1; Peter Marsh and Nikki Tait, "Whirlpool's Platform for Growth," *Financial Times*, March 26, 1998, p. 8; Peter Marsh and Nikki Tait, "Whirlpool Sticks to Its Global Guns," *Financial Times*,

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