7 Segmentation, Targeting, and Positioning

The world's best-known cosmetics companies are setting their sights on a lucrative new market segment: the emerging middle classes in countries such as Brazil, Russia, India, and China. For example, the Chinese spent $10.3 billion on cosmetics and toiletries in 2005; that figure is expected to increase to $17 billion by 2010. Not surprisingly, marketers at L'Oréal, Procter & Gamble, Shiseido, and Estée Lauder Companies are moving quickly. William Lauder, president and CEO of Estée Lauder, calls China a "$100 billion opportunity." Noting that there is no "one-size-fits-all" ideal of beauty, cosmetics marketers pride themselves on sensitivity to local cultural preferences. As Jean-Paul Agon, chief executive of L'Oréal, explains, "We have different customers. Each customer is free to have her own aspirations. Our intention is just to respond as well as possible to each customer aspiration. Some want to be gorgeous, some want to be natural, and we just have to offer them the best quality and the best product to satisfy their wishes and their dreams." For example, many Asian women use whitening creams to lighten and brighten their complexions; in China, white skin is associated with wealth. L'Oréal responded by creating White Perfect; Shiseido offers Aupres White.

The global cosmetics giants' worldwide success is a convincing example of the power of skillful global market segmentation and targeting. **Market segmentation** represents an effort to identify and categorize groups of customers and countries according to common characteristics. **Targeting** is the process of evaluating the segments and focusing marketing efforts on a country, region, or group of people that has significant potential to respond. Such targeting reflects the reality that a company should identify those consumers it can reach most effectively, efficiently, and profitably. Finally, proper *positioning* is required to differentiate the product or brand in the minds of target customers.

Consider the following examples of market segmentation and targeting by global companies:

- The personal computer market can be divided into home users, corporate (also known as "enterprise") users, and educational users. Dell originally targeted corporate customers; even today, sales of products for home use only account for 20 percent of revenues. After focusing on the PC market only, Dell then branched out into other computer categories such as servers and storage hardware. In 2003, Dell dropped the word *Computer* from its corporate name as it ramped up sales of new categories of consumer electronics products including PDAs, flat-panel TVs, and digital cameras.
- In 2003, after convening worldwide employee conferences to study women's shaving preferences, Schick-Wilkinson Sword introduced Intuition—a shaving system for women that features a replaceable blade cartridge. The system incorporates a "skin-conditioning solid" that allows a woman to lather and shave her legs simultaneously. Intuition is a premium product targeted directly at users of Venus, Gillette's three-blade razor system for women.[1]

[1] Charles Forelle, "Schick Puts a Nick in Gillette's Razor Cycle," *The Wall Street Journal*, October 3, 2003, p. B7.

L'Oréal is expanding distribution in China. After successful market tests at Wal-Mart and Carrefour stores, L'Oréal Paris, Maybelline, Garnier, and other brands are now available in retail stores as well as Chinese supermarkets. In 2006, L'Oréal China launched a new advertising campaign for the Mininurse Professional UV cosmetics line targeting women 18 years of age to 25 years of age. The ads communicate the brand's core benefits: UV protection, daytime skin whitening action, and nighttime hydrating action.

- Cosmed, a division of Germany's Beiersdorf AG, markets a line of skin care products for women under the NIVEA brand. Recently, the company launched a new brand, NIVEA for Men.

As these examples show, global markets can be segmented according to buyer category (e.g., consumer or enterprise), gender, age, and a number of other criteria. These examples also illustrate the fact that market segmentation and targeting are two separate but closely related activities. These activities serve as the link between market needs and wants and specific decisions on the part of company management to develop products that meet the specific needs of one or more segments. We examine segmentation, targeting, and positioning in this chapter.

GLOBAL MARKET SEGMENTATION

Global market segmentation has been defined as the process of identifying specific segments—whether they be country groups or individual consumer groups—of potential customers with homogeneous attributes who are likely to exhibit similar responses to a company's marketing mix.[2] Marketing practitioners and academics have been interested in global market segmentation for several decades. In the late 1960s, one observer suggested that the European market could be divided into three broad categories—international sophisticate, semisophisticate, and provincial—solely on the basis of consumers' presumed receptivity to a common advertising approach.[3] Another writer suggested that some themes—for example, the desire to be beautiful, the desire to be healthy and free of pain, the love of mother and child—were universal and could be used in advertising around the globe.[4]

[2] Salah S. Hassan and Lea Prevel Katsanis, "Identification of Global Consumer Segments: A Behavioral Framework," *Journal of International Consumer Marketing* 3, no. 2 (1991), p. 17.
[3] John K. Ryans, Jr., "Is It Too Soon to Put a Tiger in Every Tank?" *Columbia Journal of World Business* (March–April 1969), p. 73.
[4] Arther C. Fatt, "The Danger of 'Local' International Advertising," *Journal of Marketing* 31, no. 1 (January 1967), pp. 60–62.

As noted in earlier chapters, a quarter century ago, Professor Theodore Levitt advanced the thesis that consumers in different countries increasingly seek variety, and that the same new segments are likely to show up in multiple national markets. Thus, ethnic or regional foods such as sushi, falafel, or pizza might be in demand anywhere in the world. Levitt suggested that this trend, known variously as the *pluralization of consumption* and *segment simultaneity*, provides an opportunity for marketers to pursue one or more segments on a global scale. Frank Brown, president of MTV Networks Asia, acknowledged this trend in explaining MTV's success in Asia despite the recent economic turmoil in the region. "When marketing budgets are tight, advertisers look for a more effective buy, and we can deliver a niche audience with truly panregional reach," he said.[5] Authors John Micklethwait and Adrian Wooldridge sum up the situation this way:

> The audience for a new recording of a Michael Tippett symphony or for a nature documentary about the mating habits of flamingos may be minuscule in any one country, but round up all the Tippett and flamingo fanatics around the world, and you have attractive commercial propositions. The cheap distribution offered by the Internet will probably make these niches even more attractive financially.[6]

Global market segmentation is based on the premise that companies should attempt to identify consumers in different countries who share similar needs and desires. However, the fact that significant numbers of pizza-loving consumers are found in many countries does not mean they are eating the exact same thing. In France, for example, Domino's serves pizza with goat cheese and strips of pork fat known as *lardoons*. In Taiwan, toppings include squid, crab, shrimp, and pineapple; Brazilians can order their pies with mashed bananas and cinnamon. As J. Patrick Doyle, executive vice president of Domino's international division, explains, "Pizza is beautifully adaptable to consumer needs around the world, simply by changing the toppings."[7]

A. Coskun Samli has developed a useful approach to global market segmentation that compares and contrasts "conventional" versus "unconventional" wisdom (see Table 7-1). For example, conventional wisdom might assume that consumers in Europe and Latin America are interested in World Cup soccer while those in America are not. Unconventional wisdom would note that the "global jock" segment exists in many countries, including the United States.[8] Similarly, conventional

Table 7-1

Contrasting Views of Global Segmentation

Conventional Wisdom	Unconventional Wisdom
1. Assumes heterogeneity between countries.	1. Assumes the emergence of segments that transcend national boundaries.
2. Assumes homogeneity within any given country.	2. Acknowledges the existence of within-country differences.
3. Focuses heavily on cultural differences at a macro level.	3. Emphasizes differences and commonalities in microlevel values, consumption patterns, etc.
4. Segmentation relies heavily on clustering of national markets.	4. Segmentation relies on grouping micromarkets within a country or between countries.
5. Within-country microsegments are assigned secondary priority.	5. Microsegments based on consumer behavior are assigned high priority.

Source: Adapted from A. Coskun Samli, *International Consumer Behavior* (Westport, CT: Quorum, 1995), p. 130.

5 Magz Osborne, "Second Chance in Japan," *Ad Age Global* 1, no. 9 (May 2001), p. 28.
6 John Micklethwait and Adrian Wooldridge. *A Future Perfect: The Challenge and Hidden Promise of Globalization* (New York: Crown Publishers, 2000), p. 198.
7 Neil Buckley, "Domino's Returns to Fast Food's Fast Lane," *Financial Times* (November 26, 2003), p. 10.
8 Robert Frank, "When World Cup Soccer Starts, World-Wide Productivity Stalls," *The Wall Street Journal*, June 12, 1998, pp. B1, B2; Daniela Deane, "Their Cup Runneth Over: Ethnic Americans Going Soccer Crazy," *USA Today*, July 2, 1998, p. 13A.

wisdom might assume that, because per capita income in India is about $490, all Indians have low incomes. Unconventional wisdom would note the presence of a higher-income, middle-class segment. As Sapna Nayak, a food analyst at Raobank India, noted, "The potential Indian customer base for a McDonald's or a Subway is larger than the size of entire developed countries."[9] The same is true of China; the average annual income of people living in eastern China is approximately $1,200. This is the equivalent to a lower-middle-income country market with 470 million people, larger than every other single country market except India.[10]

Today, global companies (and the research and advertising agencies that serve them) use market segmentation to identify, define, understand, and respond to customer wants and needs on a worldwide, rather than strictly local, basis. As we have noted many times in this book, global marketers must determine whether a standardized or adapted marketing mix best serves those wants and needs. By

the rest of the story

Cosmetics Giants Segment the Global Cosmetics Market

Market research is critical to understanding women's preferences in different parts of the world. According to Eric Bone, head of L'Oréal's Tokyo Research Center, "Japanese women prefer to use a compact foundation rather than a liquid. Humidity here is much higher and the emphasis is on long-lasting coverage." Armed with this knowledge, L'Oréal devotes more development time to compacts rather than liquids. The researchers have also learned that the typical Japanese woman cleanses her face twice.

In China, L'Oréal and its competitors have an opportunity to educate women about cosmetics, which were banned prior to 1982. Each year, L'Oréal observes and films 6,000 Chinese women applying and removing makeup. Alice Laurent, L'Oréal's skincare development manager in Shanghai, says, "In China, the number of products used in the morning and the evening is 2.2" At its Shanghai Innovation Centre, L'Oréal is also studying how to incorporate traditional Chinese medicine into new product lines.

L'Oréal and Procter & Gamble offer a wide range of products in China, including both mass market and premium brands. By contrast, Estée Lauder Company's focus is expensive prestige brands such as Estée Lauder, Clinique, and MAC that are sold through upmarket department stores. One research analyst cautions that Estée Lauder's targeting and positioning may be too narrow for China. According to Access Asia, Estée Lauder "is in danger of becoming too exclusively placed at the top end of the market and it may have to reposition itself more in the mass market to compete for a larger part of the Chinese market." Estée Lauder's Carol Shen views her company's brands as aspirational. "Chinese consumers are price sensitive but at the same time are willing to invest in products that are relatively expensive versus their income levels because they are so confident about the future," she says.

In India, L'Oréal has recently shifted from a low-price, mass-market strategy to a premium price, upscale strategy. Competitor Hindustan Lever rings up nearly $1 billion in annual sales by targeting the hundreds of millions of people who must live on the equivalent of $2 per day. This means body lotion priced at $0.70 and $0.90 bottles of perfume. Upon first entering India in 1991, L'Oréal used a similar strategy. However, its low-priced Garnier Ultra Doux shampoo failed to catch on with consumers. Offering no particular advantage relative to local brands, it was, in the words of Alain Evrard, L'Oréal's managing director for Africa, Orient, and the Pacific, "an absolute flop." Some shopkeepers were stuck with unsold inventories.

In the mid-1990s, Evrard was determined to gain a better understanding of the Indian market. He noted several different trends. The number of working women was increasing dramatically, and consumer attitudes were shifting. Thanks to cable television, CNN and MTV were finding large viewing audiences. To learn more about women's preferences, Evrard spoke with advertising executives and fashion magazine editors as well as L'Oréal's local employees. In doing so, Evrard arrived at a keen insight: Women in their 20s concerned about gray hair were not satisfied with existing do-it-yourself hair color products. Evrard responded by launching L'Oréal Excellence Crème in India. An innovative but expensive product popular in Europe, Excellence Crème was priced at $9 and positioned as a luxury purchase. To gain support among shopkeepers, a local L'Oréal staffer named Dinesh Dayal mounted a retailer education campaign and personally promoted the product at local shops. Today Excellence Crème is widely available in India. In 2004, after more than a decade of losses, L'Oréal's Indian operations became profitable.

Sources: Christina Passariello, "Beauty Fix: Behind L'Oreal's Makeover in India: Going Upscale," The Wall Street Journal, *July 13, 2007, pp. A1, A14; Beatrice Adams, "Big Brands Are Watching You,"* Financial Times, *November 4–November 5, 2006, p. W18; Adam Jones, "How to Make Up Demand,"* Financial Times, *October 3, 2006, p. 8; Lauren Foster and Andrew Yeh, "Estée Lauder Puts on a New Face,"* Financial Times, *March 23, 2006, p. 7; Rebecca Rose, "Global Diversity Gets All Cosmetic,"* Financial Times, *April 11–12, 2004, p. W11.*

---

[9] Saritha Rai, "Tastes of India in U.S. Wrappers," *The New York Times*, April 29, 2003, p. W7.
[10] Joseph Kahn, "Made in China, Bought in China," *The New York Times*, January 5, 2003, Section 3, p. 10.

performing market segmentation, marketers can generate the insights needed to devise the most effective approach.

The process of global market segmentation begins with the choice of one or more variables to use as a basis for grouping customers. Common variables include demographics (including national income and size of population), psychographics (values, attitudes, and lifestyles), behavioral characteristics, and benefits sought. It is also possible to cluster different national markets in terms of their environments (e.g., the presence or absence of government regulation in a particular industry) to establish groupings.

Demographic Segmentation

Demographic segmentation is based on measurable characteristics of populations such as income, population, age distribution, gender, education, and occupation. A number of global demographic trends—fewer married couples, smaller family size, changing roles of women, higher incomes and living standards, for example—have contributed to the emergence of global market segments. Here are several key demographic facts and trends from around the world:

- A widening age gap exists between the older populations in the West and the large working-age populations in developing countries.
- In the EU, the number of consumers 16 years old and younger is rapidly approaching the number of consumers 60 years old and older.
- Asia is home to 500 million consumers 16 years old and younger.
- Half of Japan's population will be 50 years old or older by 2025.
- America's three main ethnic groups—African/Black Americans, Hispanic Americans, and Asian Americans—represent a combined annual buying power of $1 trillion.
- The United States is home to 28.4 million foreign-born residents with a combined income of $233 billion.
- By 2030, 20 percent of the U.S. population—70 million Americans—will be 65 years old or older versus 13 percent (36 million) today.
- India has the youngest demographic profile among the world's large nations: More than half its population is younger than 25 years old.

Statistics such as these can provide valuable insights to marketers who are scanning the globe for opportunities. Managers at global companies must be alert to the possibility that marketing strategies will have to be adjusted in response to the aging of the population and other demographic trends. For example, consumer products companies will need to convene focus groups consisting of people over 50 years old who are nearing retirement. These same companies will also have to target developing country markets such as Vietnam, Brazil, and Mexico to achieve growth objectives in the years to come.

Demographic changes can create opportunities for marketing innovation. In France, for example, two entrepreneurs began rewriting the rules of retailing years before Sam Walton founded the Wal-Mart chain. Marcel Fournier and Louis Defforey opened the first Carrefour ("crossroads") hypermarket in 1963. At the time, France had a fragmented shop system that consisted of small, specialized stores with only about 5,000 square feet of floor space such as the *boulangerie* and *charcuterie*. The shop system was part of France's national heritage, and shoppers developed personal relationships with a shop's proprietor. However, time pressed, dual-parent working families had less time to stop at several stores for daily shopping. The same trend was occurring in other countries. By 1993, Carrefour SA was a global chain with $21 billion in sales and a market capitalization of $10 billion. By 2006, sales had reached $102 billion; today, Carrefour operates 12,000 stores in 30 countries. As Adrian Slywotzky has noted, it was a demographic shift that provided the opportunity for Fournier and Defforey to create a novel, customer-matched, cost-effective business design.[11]

Segmenting Global Markets by Income and Population

When a company charts a plan for global market expansion, it often finds that income is a valuable segmentation variable. After all, a market consists of those who are willing and *able* to buy. For cigarettes, soft drinks, photographic film, candy, and other consumer products that have a low per-unit cost, population is often a more valuable segmentation variable than income. Nevertheless, for a vast range of industrial and consumer products offered in global markets today, income is a valuable and important macro indicator of market potential. About two-thirds of world GNI is generated in the Triad; however, only about 12 percent of the world's population is located in Triad countries. The concentration of wealth in a handful of industrialized countries has significant implications for global marketers. After segmenting in terms of a single demographic variable—income—a company can reach the most affluent markets by targeting fewer than 20 nations: half the EU, North America, and Japan. By doing so, however, the marketers are *not* reaching almost 90 percent of the world's population! A word of caution is in order here. Data about income (and population) have the advantage of being widely available and inexpensive to access. However, management may unconsciously "read too much" into such data. In other words, while providing some measure of market potential, such macrolevel demographic data should not necessarily be used as the sole indicator of presence (or absence) of a market opportunity. This is especially true when an emerging country market or region is being investigated.

Ideally, GNI and other measures of national income converted to U.S. dollars should be calculated on the basis of purchasing power parities (i.e., what the currency will buy in the country of issue) or through direct comparisons of actual prices for a given product. This would provide an actual comparison of the standards of living in the countries of the world. Table 7-2 ranks the top 10 countries in terms of 2004 per capita income followed by a ranking adjusted for purchasing power parity. Although the United States ranks fourth in per capita income, only Luxembourg surpasses its standard of living—as measured by what money can buy.[12] By most measures, the U.S. market is enormous: About $12 trillion in national income and a population that passed the 300 million milestone in 2006. Little

Table 7-2

Per Capita Income, 2004

2004 Per Capita Income		2004 Income Adjusted for Purchasing Power	
1. Luxembourg	$56,380	1. Luxembourg	$61,610
2. Norway	$51,810	2. United States	$39,820
3. Switzerland	$49,600	3. Norway	$38,680
4. United States	$41,440	4. Switzerland	$35,660
5. Denmark	$40,750	5. Ireland	$32,930
6. Iceland	$37,920	6. Iceland	$32,370
7. Japan	$37,050	7. Austria	$31,800
8. Sweden	$35,840	8. Denmark	$31,770
9. Ireland	$34,310	9. Hong Kong	$31,560
10. United Kingdom	$33,630	10. Belgium	$31,530

Source: 2006 World Development Indicators. Reprinted by permission of Warren Keegan Associates, Inc.

11 Adrian Slywotzky, *Value Migration* (Cambridge, MA: Harvard Business School Press, 1996), p. 37.
12 For a more detailed discussion, see Malcolm Gillis et al., *Economics of Development* (New York: Norton, 1996), pp. 37–40.

wonder, then, that so many non-U.S. companies target and cater to American consumers and organizational buyers! A case in point is Mitsubishi Motors, which had begun redesigning its Montero Sport SUV with the goal of creating a "global vehicle" that could be sold worldwide with little adaptation. Then the design program changed course; the new goal was to make the vehicle more "American" by providing more interior space and more horsepower. Hiroshi Yajima, a Mitsubishi executive in North America, attributed the change to the vibrancy and sheer size of the American auto market. "We wouldn't care if the vehicle didn't sell outside the U.S.," he said.[13]

Despite having comparable per capita incomes, other industrialized countries are nevertheless quite small in terms of *total* annual income. In Sweden, for example, per capita GNI is $35,840; however, Sweden's smaller population—9 million—means that annual national income is only about $322 billion. This helps explain why Ericsson, IKEA, Saab, and other companies based in Sweden have looked beyond their borders for significant growth opportunities.

While Table 7-2 highlights differences between straightforward income statistics and standard of living in the world's most affluent nations, such differences can be even more pronounced in less-developed countries. A visit to a mud house in Tanzania will reveal many of the things that money can buy: an iron bed frame, a corrugated metal roof, beer and soft drinks, bicycles, shoes, photographs, radios, and even televisions. What Tanzania's per capita GNI of $320 does not reflect is the fact that instead of utility bills, Tanzanians have the local well and the sun. Instead of nursing homes, tradition and custom ensure that families will take care of the elderly at home. Instead of expensive doctors and hospitals, villagers may utilize the services of witch doctors and healers.

In industrialized countries, a significant portion of national income is the value of goods and services that would be free in a poor country. Thus, the standard of living in low- and lower-middle income countries is often higher than income data might suggest; in other words, the *actual* purchasing power of the local currency may be much higher than that implied by exchange values. For example, the per capita income average for China of $1,500 equals 12,165 Chinese Renminbi (at an exchange rate of 8.11 Renminbi = US$1.00), but 12,165 Renminbi will buy much more in China than $1,500 will buy in the United States. Adjusted for purchasing power parity, per capita income in China is estimated to be $5,890; this amount is nearly four times higher than the unadjusted figure suggests. Similarly, calculated in terms of purchasing power, per capita income in Tanzania is approximately $670. A visit to the capital city of Dar Es Salaam reveals that

Table 7-3

Top 10 Nations Ranked by GNI, 2004

Country	GNI (in millions)
United States	12,168,482
Japan	4,734,255
Germany	2,532,281
United Kingdom	2,013,363
China	1,937,965
France	1,888,407
Italy	1,513,111
Spain	919,094
Canada	905,042
Brazil	704,906

Source: Reprinted by permission of Warren Keegan Associates, Inc.

[13] Norihiko Shirouzu, "Tailoring World's Cars to U.S. Tastes," *The Wall Street Journal*, January 1, 2001, p. B1.

Table 7-4

Top 10 Nations Ranked by GNI, 2007 Projections

Country	GNI* (in millions)
1. United States	13,626,144
2. Japan	5,078,401
3. Germany	2,886,668
4. China	2,709,427
5. United Kingdom	2,369,060
6. France	2,243,490
7. Italy	1,752,603
8. Spain	1,167,132
9. Canada	1,107,281
10. India	894,399

*Data forecast by author based on extrapolation of 2004 actual GNI data using World Bank average growth rates for GDP for 2000 to 2004.
Source: 2006 World Development Indicators. Reprinted by permission of Warren Keegan Associates, Inc.

stores are stocked with televisions and CD players, and businesspeople can be seen negotiating deals using their cell phones.[14]

No one knows with certainty what the future will bring, but using 2004 GNI data as a baseline (Table 7-3) and extrapolating current economic growth trends to 2007 produces interesting results (Table 7-4). The United States, Japan, and Germany retain their rankings in the first three positions; China moves up to fourth place. These extrapolation results suggest that China, with its combination of high real income growth and relatively low population growth, is a strong candidate to become a leading world economic power. Even if this forecast turns out to be overly optimistic, China is expected to fare better than other Asian countries.

In 2004, the 10 most populous countries in the world accounted for 52 percent of world income; the 5 most populous accounted for 39 percent (see Table 7-5). Although population is not as concentrated as income, there is, in terms of size of nations, a pattern of considerable concentration. The 10 most populous countries in the world account for roughly 60 percent of the world's population today. The concentration of income in the high-income and large-population countries means that a company can be "global" by targeting buyers in 10 or fewer countries. World population is now approximately 6.4 billion; at the present rate of growth, it will reach 12 billion by the

Table 7-5

The 10 Most Populous Countries, 2004 and 2007 Projections

Global Income and Population	2004 Population (thousands)	Percent of World Population	Projected Population 2007*	2004 GNI (millions)	Per Capita GNI	Percent of World GNI
WORLD TOTAL	6,364,981	100.00%	6,580,194	40,282,301	6,329	100.0%
1. China	1,296,157	20.36%	1,320,201	1,937,965	1,500	4.81%
2. India	1,079,721	16.96%	1,123,227	673,205	620	1.67%
3. United States	293,655	4.61%	301,858	12,168,482	41,440	30.21%
4. Indonesia	217,588	3.42%	224,991	248,007	1,140	0.62%
5. Brazil	183,913	2.89%	190,528	551,650	3,000	1.37%
6. Pakistan	152,061	2.39%	162,383	90,663	600	0.23%
7. Russian Federation	143,850	2.26%	141,723	488,501	3,400	1.21%
8. Bangladesh	139,215	2.19%	146,397	61,324	440	0.15%
9. Nigeria	128,709	2.02%	136,575	55,326	430	0.14%
10. Japan	127,764	2.01%	127,700	4,734,255	37,050	11.75%

*Data forecast by author based on extrapolation of 2004 actual population data using World Bank average growth rates for population for 2004 to 2020.
Source: 2006 World Development Indicators. Reprinted by permission of Warren Keegan Associates, Inc.

14 Robert S. Greenberger, "Africa Ascendant: New Leaders Replace Yesteryear's 'Big Men,' and Tanzania Benefits," *The Wall Street Journal*, December 10, 1996, pp. A1, A6.

middle of the century. Simply put, global population will probably double during the lifetime of many students using this textbook.

As noted previously, for products whose price is low enough, population is a more important variable than income in determining market potential. As former Kodak CEO George Fisher commented more than a decade ago, "Half the people in the world have yet to take their first picture. The opportunity is huge, and it's nothing fancy. We just have to sell yellow boxes of film."[15] Thus, China and India, with respective populations of 1.3 billion and 1 billion, represent attractive target markets. In a country like China, one segmentation approach would call for serving the existing mass market for inexpensive consumer products. L'Oréal, Kao, Johnson & Johnson, Procter & Gamble, Unilever, and other packaged goods companies are targeting and developing the China market, lured in part by the presence of hundreds of millions of Chinese customers who are willing and able to spend a few cents for a single-use pouch of shampoo and other personal care products. As noted in the chapter introduction, L'Oréal is targeting India's burgeoning middle class. GM's original strategy for entering China was based on its success in reaching the segment comprised of government and company officials who are entitled to a large sedan-style automobile. Today, GM's lineup for China includes the Buick Century, targeted at the country's middle class, and the $10,000 Buick Sail.

McDonald's global expansion illustrates the significance of both income and population on marketing activities. On the one hand, as noted in Case 1-1, McDonald's operates in more than 120 countries. What this figure conceals, however, is that 80 percent of McDonald's restaurants are located in nine country markets: Australia, Brazil, Canada, China, France, Germany, Japan, the United Kingdom, and the United States. These nine countries generate about 75 percent of the company's total revenues. Seven of these countries appear in the top 10 GNI ranking shown in Table 7-4; however, only four appear in the Table 7-5 population rankings. At present, the restaurants in the company's approximately 100 nonmajor country markets contribute less than 20 percent to operating income. McDonald's is counting on an expanded presence in China

global MARKETING Q&A

USA Today: "You've said that you don't feel that the increase in elevator sales, particularly in China, is part of an elevator 'bubble.' If China's growth is not sustainable, will elevator sales start to come down and affect your growth?"

George David, Chief Executive Officer, United Technologies: "China's growth is sustainable, so I don't go along with your 'if' qualification. We measure elevator populations in countries as units installed per thousand people. And in China, the number today is about one-half an elevator per thousand people. In most countries of the world outside of the U.S., people live in elevator- and storied apartment houses. It's true all over Europe, all over Asia, South America, certainly true in China. And in a mature market like Europe, the installed population is about six elevators per thousand people. And so we're on our way to some portion of six, and that's why it is so far away from saturation. The United Nations says 250 million more people will urbanize in the next several years. The Chinese population is today only 32 percent urban. That compares with 70 percent urban in the U.S. and Europe. It's not a bubble."

Source: Ron Insana, "United Tech Outperforms Peers Year After Year," USA Today, *April 4, 2005, p. 3B.*

[15] Mark Maremont, "Kodak's New Focus," *Business Week*, January 30, 1995, p. 63.

and other high-population country markets to drive corporate growth in the twenty-first century.

As noted earlier, marketers must be careful not to be overly optimistic when using income, population, and other macro-level data to segment markets. It is also possible to underestimate a market's potential. Marketers should keep in mind, for example, that national income figures, such as those cited for China and India, are averages. Large, fast-growing, higher-income segments are present in both of these countries. More than 100 million Indians can be classified as "upper-middle-class," with average incomes of more than $1,400. Pinning down a demographic segment may require additional information; according to some estimates, India's middle class totals 300 million people. However, if middle class is defined more narrowly as "households that own cars, computers, and washing machines," the figure would be much lower. According to one Indian expert, India's population can be further segmented to include a "bike" segment of 25 million households in which telephones and motorbikes are present. However, the vast majority of India's population comprises a "bullock cart" segment whose households lack most comforts but typically own a television.[16] The lesson is to guard from being blinded by averages; as Samli has suggested, do not *assume* homogeneity.

"Urban India is getting saturated. In the cities, everyone who can afford a television has one. If you want to maintain high growth, you have to penetrate into rural India."[17]

K. Ramachandran, Chief Executive, Philips Electronics India

Age Segmentation

Age is another useful demographic variable in global marketing. One global segment based on demographics is **global teens**, young people between the ages of 12 and 19. Teens, by virtue of their shared interest in fashion, music, and a youthful lifestyle, exhibit consumption behavior that is remarkably consistent across borders. As Renzo Rosso, creator of the Diesel designer jeans brand, explains, "A group of teenagers randomly chosen from different parts of the world will share many of the same tastes."[18] Young consumers may not yet have conformed to cultural norms; indeed, they may be rebelling against them. This fact, combined with shared universal wants, needs, desires, and fantasies (for name brands, novelty, entertainment, trendy, and image-oriented products), make it possible to reach the global teen segment with a unified marketing program. This segment is attractive both in terms of its size (about 1.3 billion) and its multi-billion-dollar purchasing power. Coca-Cola, Benetton, Swatch, and Sony are some of the companies pursuing the global teenage segment. The global telecommunications revolution is a critical driving force behind the emergence of this segment. Global media such as MTV and the Internet are perfect vehicles for reaching this segment. Satellites such as AsiaSatI are beaming Western programming and commercials to millions of viewers in China, India, and other countries.

Another global segment is the so-called **global elite—**affluent consumers who are well traveled and have the money to spend on prestigious products with an image of exclusivity. Although this segment is often associated with older individuals who have accumulated wealth over the course of a long career, it also includes movie stars, musicians, elite athletes, entrepreneurs, and others who have achieved great financial success at a relatively young age. This segment's needs and wants are spread over various product categories: durable goods (luxury automobiles such as Mercedes Benz), nondurables (upscale beverages such as Perrier mineral water or Grey Goose vodka), and financial services (American Express Gold and Platinum cards).

16 Sundeep Waslekar, "India Can Get Ahead if It Gets on a Bike," *Financial Times*, November 12, 2002, p. 15.
17 Chris Prystay, "Companies Market to India's Have-Littles," *The Wall Street Journal*, June 5, 2003, p. B1.
18 Alice Rawsthorn, "A Hipster on Jean Therapy," *Financial Times*, August 20, 1998, p. 8.

Rolls-Royce, the automaker whose name is synonymous with exclusive luxury, only sells 800 vehicles each year. Prices start at $400,000; the company's customers are typically members of the global elite, with more than $30 million in liquid assets. Rolls-Royce buyers often order customized vehicles; in China, one of the fastest-growing markets for luxury cars, a customer recently paid $2.2 million for a stretch version of the Phantom. In December 2006, Rolls-Royce announced that the Peninsula Hotel in Hong Kong had bought 14 Phantoms.

Gender Segmentation

For obvious reasons, segmenting markets by gender is an approach that makes sense for many companies. Less obvious, however, is the need to ensure that opportunities for sharpening the focus on the needs and wants of one gender or the other do not go unnoticed. Although some companies—fashion designers and cosmetics companies, for example—market primarily or exclusively to women, other companies offer different lines of products to both genders. For example, in 2000, Nike generated $1.4 billion in global sales of women's shoes and apparel, a figure representing 16 percent of total Nike sales. Nike executives believe its global women's business is poised for big growth. To make it happen, Nike is opening concept shops inside department stores and creating free-standing retail stores devoted exclusively to women.[19] In Europe, Levi Strauss is taking a similar approach. In 2003, the company opened its first boutique for young women, Levi's for Girls, in Paris. As Suzanne Gallacher, associate brand manager for Levi's in Europe, the Middle East, and Africa, noted, "In Europe, denim is for girls."[20] The move is part of a broader strategy to boost Levi Strauss' performance in the face of strong competition from Calvin Klein and Gap in the United States and Diesel in Europe. Gallacher predicts that, if Levi's for Girls is a success in France, similar stores will be opened in other European countries.

Psychographic Segmentation

Psychographic segmentation involves grouping people in terms of their attitudes, values, and lifestyles. Data are obtained from questionnaires that require respondents to indicate the extent to which they agree or disagree with a series of statements. Psychographics is primarily associated with SRI International, a market research organization whose original VALS and updated VALS 2 analyses of consumers are widely known. Finland's Nokia relies heavily on psychographic segmentation of mobile phone users; its most important segments are "poseurs,"

[19] Paula Stepanowsky, "Nike Tones Up Its Marketing to Women with Concept Shops, New Apparel Lines," *The Wall Street Journal*, September 5, 2001, p. B19.

[20] John Tagliabue, "2 Sexes Separated by a Common Levi's," *The New York Times*, September 30, 2003, p. W1.

"trendsetters," "social contact seekers," and "highfliers." By carefully studying these segments and tailoring products to each, Nokia has captured 40 percent of the world's market for mobile communication devices.[21]

Porsche AG, the German sports car maker, turned to psychographics after experiencing a worldwide sales decline from 50,000 units in 1986 to about 14,000 in 1993. Its U.S. subsidiary, Porsche Cars North America, already had a clear demographic profile of its typical customer: a 40-plus-year-old male college graduate whose annual income exceeded $200,000. A psychographic study showed that, demographics aside, Porsche buyers could be divided into several distinct categories Top Guns, for example, buy Porsches and expect to be noticed; for Proud Patrons and Fantasists, on the other hand, such conspicuous consumption is irrelevant. Porsche used the profiles to develop advertising tailored to each type. As Richard Ford, Porsche vice president of sales and marketing, noted: "We were selling to people whose profiles were diametrically opposed. You wouldn't want to tell an elitist how good he looks in the car or how fast he could go." The results were impressive; Porsche's U.S. sales improved nearly 50 percent after a new advertising campaign was launched.[22]

Honda's recent experience in Europe demonstrates the potential value of using psychographic segmentation to supplement the use of more traditional variables such as demographics. When Honda executives were developing a communication strategy to support the European launch of the company's new HR-V sport utility vehicle in the late 1990s, they brought together a panel of experts from the United Kingdom, Germany, France, and Italy. The goal was to develop a pan-European advertising campaign targeted squarely at a relatively young demographic. The researchers agreed that, irrespective of nationality, European youth exhibit more similarities than differences: They listen to the same music, enjoy the same films, and pursue the same recreational activities. The resulting ad campaign, dubbed "Joy Machine," was targeted at 25- to 35-year-olds. However, the HR-V proved to be popular with Europeans of *all* ages; one out of six buyers was a grandparent! Reflecting on this turn of events, Chris Brown, an advertising executive at Honda Motor Europe, noted, "The decision within advertising should be about attitudes, not ages. I was recently reminded that [former British prime minister] John Major and Mick Jagger of the Rolling Stones are the same age."[23] Brown's statement underscores the insight that people of the same age don't necessarily have the same attitudes, just as people in one age bracket sometimes share attitudes with those in other age brackets. Sometimes it is preferable to market to a mind-set rather than a particular age group; in such an instance, psychographic studies can help marketers arrive at a deeper understanding of consumer behavior than is possible with traditional segmentation variables such as demographics.

However, such understanding does come at a price. Psychographic market profiles are available from a number of different sources; companies may pay thousands of dollars to use these studies. SRI International has recently created psychographic profiles of the Japanese market; broader-scope studies have been undertaken by several global advertising agencies. For example, a research team at D'arcy Massius Benton & Bowles (DMBB) focused on Europe and produced a 15-country study entitled *The Euroconsumer: Marketing Myth or Cultural Certainty?*[24] The researchers identified four lifestyle groups: Successful Idealists, Affluent Materialists, Comfortable Belongers, and Disaffected

[21] John Micklethwait and Adrian Wooldridge, *Future Perfect: The Challenge and Hidden Promise of Globalization* (New York: Crown Business, 2000), p. 131.
[22] Alex Taylor III, "Porsche Slices Up Its Buyers," *Fortune*, January 16, 1995, p. 24.
[23] Ian Morton, "Target Advertising Is Not an Exact Science," *Automotive News Europe*, June 19, 2000, p. 28.
[24] The following discussion is adapted from Rebecca Piirto, *Beyond Mind Games: The Marketing Power of Psychographics* (Ithaca, NY: American Demographics Books, 1991).

Survivors. The first two groups represent the elite, the latter two, mainstream European consumers:

> *Successful Idealists* Comprising from 5 percent to 20 percent of the population, this segment consists of persons who have achieved professional and material success while maintaining commitment to abstract or socially responsible ideals.
>
> *Affluent Materialists* These status-conscious "up-and-comers"—many of whom are business professionals—use conspicuous consumption to communicate their success to others.
>
> *Comfortable Belongers* Comprising one-fourth to one-half of a country's population, this group, like Global Scan's Adapters and Traditionals, is conservative and most comfortable with the familiar. Belongers are content with the comfort of home, family, friends, and community.
>
> *Disaffected Survivors* Lacking power and affluence, this segment harbors little hope for upward mobility and tends to be either resentful or resigned. This segment is concentrated in high-crime urban inner city-type neighborhoods. Despite Disaffecteds' lack of societal status, their attitudes nevertheless tend to affect the rest of society.

The segmentation and targeting approach used by a company can vary from country to country. In Europe, Levi Strauss is relying heavily on gender segmentation. By contrast, former CEO Phil Marineau believed that a psychographic segmentation strategy is the key to revitalizing the venerable jeans brand in its home market. Marineau's team identified several different segments, including "fashionistas," trendy teens, middle-aged men, and budget shoppers. The goal was to create different styles of jeans at different price points for each segment and to make them available at stores ranging from Wal-Mart to Neiman Marcus.[25] Likewise, Sony Electronics, a unit of Sony Corp. of America, recently undertook a reorganization of its marketing function. Traditionally, Sony had approached marketing from a product category point of view. In the future, a new unit, the Consumer Segment Marketing Division, will be responsible for getting closer to consumers in the United States (see Table 7-6).[26] What variables did Sony use to develop these categories?

Behavior Segmentation

Behavior segmentation focuses on whether or not people buy and use a product, as well as how often, and how much they use or consume. Consumers can be categorized in terms of **usage rates**: for example, heavy, medium, light, and

Table 7-6

Sony's U.S. Consumer Segments

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

25 Sally Beatty, "At Levi Strauss, Trouble Comes from All Angles," *The Wall Street Journal*, October 13, 2003, pp. B1, B3.

26 Tobi Elkin, "Sony Marketing Aims at Lifestyle Segments," *Advertising Age*, March 18, 2002, pp. 1, 72.

Psychographic and Behavioral Segmentation in Russia

DMBB has also created a psychographic profile of the Russian market. The study divides Russians into five categories, based on their outlook, behavior, and openness to Western products. The categories include *kuptsy*, Cossacks, students, business executives, and Russian Souls. Members of the largest group, the *kuptsy* (the label comes from the Russian word for "merchant"), theoretically prefer Russian products but look down on mass-produced goods of inferior quality. *Kuptsy* are most likely to admire automobiles and stereo equipment from countries with good reputations for engineering, such as Germany and Scandinavia. Nigel Clarke, the author of the study, notes that segmentation and targeting are appropriate in Russia, despite the fact that its broad consumer market is still in its infancy. "If you're dealing with a market as different as Russia is, even if you want to go 'broad,' it's best to think: 'Which group would go most for my brand? Where is my natural center of gravity?'"

The study's marketing implications became clearer in the late 1990s. Market share growth for many Western brands began to slow; the trend accelerated after the economic crisis of 1998. As Sergei Platinin, director of a Russian company that markets fruit juices, noted, "People used to want only to buy things that looked foreign. Now they want Russian." In the world of fashion, expensive blue jeans from designer Valentin Yudashkin are supplanting Armani as *the* hip jeans. At the other end of the price spectrum, McDonald's has begun offering *pirozhki*—meat and cheese pies. The local Nestlé subsidiary has revived several brands of Russian chocolate candies. According to a survey conducted by Comcon 2, nearly two-thirds of upper-income Russians prefer to buy domestic chocolates, even though they can afford to buy imported brands.

As for behavioral segmentation, Diageo PLC, V&S Vin & Spirit AB, Seagram, and other marketers of distilled spirits know that Russians consume a great deal of vodka. (The word *vodka* is derived from the Russian word for "water," and Russians believe vodka originated in their country in the fourteenth century.) Estimated 2002 vodka consumption in Russia was 4 billion liters—about 14.4 liters per capita, the highest in the world. However, as noted previously, Russian consumers have recently shown an increased preference for domestic brands. Production of homemade vodka, known as *samogon*, and illegal bootleg vodka surpasses official production by a ratio of 2 to 1 (see Figure 7-1) and the Russian government loses an estimated $1.9 billion in annual tax revenues. As a result of high duties, as well as the marketing goal of retaining a premium image, imports such as Smirnoff and Absolut are priced significantly higher than local brands. To date, imported vodka brands have only captured about 1 percent of the Russian market.

At a time when economic uncertainty is high and workers can go months without being paid, price is a significant factor for the average Russian. An entrepreneur named Vladimir Dovgan has prospered by launching several different brands of vodka priced between $5 and $10 per bottle. The label features Dovgan's picture, and he also appears in print and television ads. Meanwhile, in the late 1990s, Diageo PLC began producing Smirnoff in St. Petersburg. Ironically, Smirnoff's heritage is truly Russian, although for decades the brand was produced only in the West. As a company executive noted, "This should make Smirnoff seem more Russian. We want Russians to realize that Smirnoff came to Russia to produce for Russians."

Even as marketers of distilled spirits adjust their strategies, market preferences are changing; young Russians are turning to beer, with demand up 25 percent in the five-year period between 1995 and 2000. In 2002, expenditures on beer surpassed vodka for the first time. Local brands are favored, as the weak ruble priced imports out of the reach of the average consumer. Some observers attribute the change to the influence of healthier, Western lifestyles. Also, vodka is associated with heavy drinking during Russia's tumultuous transition to a market economy in the 1990s.

Sources: Stuart Elliot, "Figuring Out the Russian Consumer," The New York Times, *April 1, 1992, pp. C1, C19; Betsy McKay, "In Russia, West No Longer Means Best; Consumers Shift to Home-Grown Goods,"* The Wall Street Journal, *December 9, 1996, p. A9; John Varoli, "Bored by Vodka, Russians Find More Style in Beer,"* The New York Times, *December 19, 1999, sec. 3, p. 7; Nick Paton Walsh, "Russia Lite: Nyet to Vodka, Da to Beer,"* Observer, *October 20, 2002.*

nonuser. Consumers can also be segmented according to **user status**: potential users, nonusers, ex-users, regulars, first-timers, and users of competitors' products. Marketers sometimes refer to the **80/20 rule** when assessing usage rates. This rule, (also known as the *law of disproportionality* or Pareto's Law), suggests that 80 percent of a company's revenues or profits are accounted for by 20 percent of a firm's products or customers. As noted earlier, nine country markets generate about 80 percent of McDonald's revenues. This situation presents McDonald's executives with strategy alternatives: Should the company pursue growth in the handful of countries where it is already well known and popular? Or, should it focus on expansion and growth opportunities in the scores of countries that, as yet, contribute little to revenues and profits?

Benefit Segmentation

Global **benefit segmentation** focuses on the numerator of the value equation: the B in $V = B/P$. This approach is based on marketers' superior understanding of the problem a product solves, the benefit it offers, or the issue it addresses, regardless of geography. Food marketers are finding success creating products that can help parents create nutritious family meals with a minimal investment of time. Campbell Soup is making significant inroads into Japan's $500 million soup market as time-pressed homemakers place a premium on convenience. Marketers of health and beauty aids also use benefit segmentation. Many toothpaste brands are straightforward cavity fighters, and as such they reach a very broad market. However, as consumers become more concerned about whitening, sensitive teeth, gum disease, and other oral care issues, marketers are developing new toothpaste brands suited to the different sets of perceived needs.

The European pet food market represents $30 billion in annual sales. Nestlé discovered that cat owners' attitudes toward feeding their pets are the same everywhere. In response, a pan-European campaign was created for Friskies Dry Cat Food. The appeal was that dry cat food better suits a cat's universally recognized independent nature. Likewise, many Europeans are concerned with

OPEN *to* discussion

Segmenting Europe's Single Market

It may be a single market, but the demographics of twenty-first century Europe still offer ample opportunities for market segmentation. One approach known as "3G" addresses issues pertaining to three distinct segments: people born between 1980 and 2000 (Generation Y), adults 60 years old and older (the Golden Grays), and transnational corporations ("Globerations").

The following trends and traits associated with each have major implications for marketing strategy in the years 2008 and beyond.

Generation Y

- Share few family activities
- Display less reverence toward established authorities
- Approach leisure time as "pay-per-play"
- Maintain a heavy diet that is heavily weighted toward "convenience food"
- Are tech savvy
- Are deluged with passive information

Golden Grays

- Consider it important to mix fun and work
- Are relatively affluent, meaning more out-of-home activities
- Enjoy high-tech gaming
- Expect home-health-care devices and biotechnology to extend life expectancy
- Are deluged with passive information

Globerations

- Employees will be less inclined to leave their companies as nations gradually reduce the benefits associated with the "social safety net"
- Knowledge workers will be challenged finding work-life balance
- Customers will want build-to-order solutions
- Online auctions will be a significant sales channel
- A few, powerful consumer-to-business buying groups will emerge

Given these trends, which industries will be the winners and which will be the losers? Likely losers in the leisure sector will include general interest consumer magazines and national newspapers; winners will include interactive services, audio books, and social sports such as golf and tennis. Business services losers will likely be newspaper publishers, grocery coupon distributors, and mass market retailers. Winning services offerings will likely be corporate concierges, personalized telecom networks, and domestic services. Marketers are particularly advised to take the Golden Grays seriously and market brands that provide happiness, convenience, and time savings.

Source: Allyson L. Stewart-Allen, "EU's Future Consumers: Three Groups to Watch," Marketing News *35, no. 12 (June 4, 2001), pp. 9–10.*

GLOBAL *marketing in action*

Worldwide, only about 100 million women use tampons; the total market potential is estimated to be 1.7 billion women. In the mid-1990s, Tambrands, marketers of Tampax brand tampons, approached market segmentation in terms of how resistant women are to using tampons. Cluster 1 (the United States, the United Kingdom, and Australia) is comprised of women who use tampons and believe themselves to be well informed about them. Tampon use in Cluster 2 (France, Israel, and South Africa) is limited to about 50 percent of women; some women in this cluster are concerned that tampon use may result in a loss of virginity. Advertising to women in Cluster 2 focused on endorsements by gynecologists.

Cluster 3, which includes Brazil, China, and Russia, presents the biggest challenge. In these markets, Tambrands must deal with two issues: virginity concerns and the fact that most women in the cluster have little or no experience using tampons. Despite the fact that advertising messages will vary by cluster, each ad will end with the slogan "Tampax. Women Know." Tambrands allocated $65 million for an advertising campaign targeted at the three clusters in 27 countries. One risk: The campaign's frank language would offend women. Commenting on Tambrands' plans, Jeffrey Hill of Meridian Consulting Group commented, "The greatest challenge in the global expansion of tampons is to address the religious and cultural mores that suggest that vaginal insertion is fundamentally prohibited by culture."

Sources: Emily Nelson and Miriam Jordan, "Sensitive Export: Seeking New Markets for Tampons, P&G Faces Cultural Barriers," The Wall Street Journal, *December 8, 2000, pp. A1, A8; Yumiko Ono, "Tambrands Ads Aim to Overcome Cultural and Religious Obstacles,"* The Wall Street Journal, *March 17, 1997, p. B8; Dyan Machan, "Will the Chinese Use Tampons?"* Forbes, *January 16, 1995, pp. 86–87.*

improving the health and longevity of their pets. Accordingly, Procter & Gamble is marketing its Iams brand premium pet food as a way to improve pets' health.[27]

Ethnic Segmentation

In many countries, the population includes ethnic groups of significant size. In the United States, for example, there are three major ethnic segments: African/Black Americans, Asian Americans, and Hispanic Americans. Each segment shows

Home brew vodka made from grain or beets is a long-standing tradition in Russia. Consider the following excerpt from Vladimir Voinovich's satirical novel The Life and Extraordinary Adventures of Private Ivan Chonkin:

"They clinked glasses. Ivan downed the contents of his glass and nearly fell of his chair. He instantly lost his breath, just as if he'd been punched in the stomach . . .

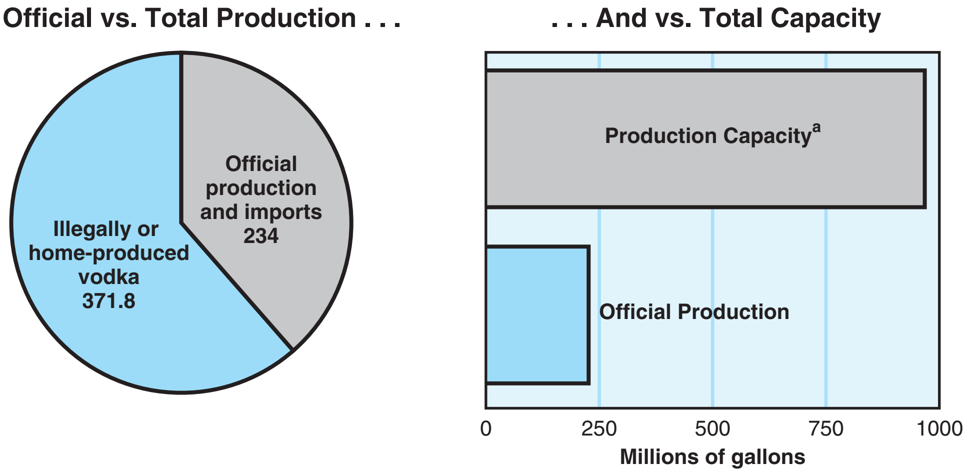
Gladishev, who had downed his own glass without any difficulty, looked over at Ivan with a sly grin. 'Well, Ivan, how's the home brew?'

'First rate stuff,' praised Chonkin, wiping the tears from his eyes with the palm of his hand. 'Takes your breath away.'"

[27] Sarah Ellison and Emily Nelson, "Pet-Food Companies Compete to Be the Pick of the Litter," *The Wall Street Journal*, July 31, 2001, p. B11.

Figure 7-1

Russia's Vodka Industry



Russian vodka consumption, 1997[b]	557.96 million gallons
Money lost on unaccounted-for output[c]	$1.89 billion

[a]For 800 enterprises licensed to produce hard, or 128-proof, liquor
[b]Consumption level is believed to be much higher
[c]Converted to U.S. dollars from rubles at current rate

great diversity and can be further subdivided. For example, Asian Americans include Thai Americans, Vietnamese Americans, and Chinese Americans, each of whom speak a different language. By contrast, America's Hispanic population includes Mexican Americans, Puerto-Rican Americans, Cuban Americans, and others who share a common language. The Hispanic American segment is comprised of more than 40 million people, representing about 14 percent of the population and $560 billion in annual buying power. As a group, Hispanic Americans are hard working and exhibit a strong family and religious orientation. In addition, consider the following statistics:

- Mexican households in California have after-tax income of $100 billion, half the total of all Mexican Americans.
- The number of Hispanic teens is projected to swell from 12 percent of the U.S. teen population to 18 percent in the next decade.

From a marketing point of view, these groups offer great opportunity. Companies in a variety of industry sectors, including food and beverages, consumer durables, and leisure and financial services are recognizing the need to include these segments when preparing marketing programs for the United States. For example, companies based in Mexico are zeroing in on opportunities to the north. Three Mexican retailers—Famso, Grupo Gigant SA, and Grupo Comercial Chedraui SA—have opened stores in the United States. As Famsa president Humberto Garza Valdez explained at the grand opening of a store in San Fernando, California, "We're not coming to the U.S. to face big companies like Circuit City or Best Buy. Our focus is the Hispanic market."[28]

From 1999 through 2000, new-vehicle registrations by Hispanics in the United States grew 20 percent, twice the overall national growth rate. Honda, Toyota, and other Japanese automakers have been courting U.S. Hispanics for years and have

[28] Joel Millman, "Mexican Retailers Enter U.S. to Capture Latino Dollars," *The Wall Street Journal*, February 8, 2001, p. A18.

built up a great deal of brand loyalty. Ford and GM are playing catch up, with mixed results; despite large increases in advertising targeting Hispanics, GM's market share is slipping.[29] Sales of Corona Extra beer in the United States have grown dramatically, thanks in part to savvy marketing to the Hispanic segment. In lower-income neighborhoods, imported premium beer brands represent "affordable luxuries." Although a six-pack of Corona typically costs at least a dollar more than Budweiser at a local bodega, it is usually priced lower than Heineken. Marketers must understand, though, that many Hispanic Americans live in two worlds; while they identify strongly with the United States, there is also a sense of pride associated with brands that connect to their heritage.[30]

ASSESSING MARKET POTENTIAL AND CHOOSING TARGET MARKETS OR SEGMENTS[31]

After segmenting the market by one or more of the criteria just discussed, the next step is to assess the attractiveness of the identified segments. This part of the process is especially important when sizing up emerging country markets as potential targets. It is at this stage that global marketers should be mindful of several potential pitfalls associated with the market segmentation process. First, there is a tendency to overstate the size and short-term attractiveness of individual country markets, especially when estimates are based primarily on demographic data such as income and population. For example, while China, India, Brazil, and other emerging markets undoubtedly offer potential in the long run, management must realize that short-term profit and revenue growth objectives may be hard to achieve. During the 1990s, Procter & Gamble and other consumer packaged-goods companies learned this lesson in Latin America. By contrast, the success of McDonald's Russia during the same period is a case study in the rewards of persistence and long-term outlook. A second trap that global marketers can set for themselves is to target a country because shareholders or competitors exert pressure on management not to "miss out" on a strategic opportunity. Recall from Chapter 2, for example, the statement by India's finance minister that the twenty-first century will be "the century of India." Such pronouncements can create the impression that management must "act now" to take advantage of a limited window of opportunity. Third, there is a danger that management's network of contacts will emerge as a primary criterion for targeting. The result can be market entry based on convenience rather than rigorous market analysis. For example, a company may enter into a distribution agreement with a non-national employee who wants to represent the company after returning to his or her home country. The issue of choosing the right foreign distributor will be discussed in detail in Chapter 12.

With these pitfalls in mind, marketers can utilize three basic criteria for assessing opportunity in global target markets: current size of the segment and anticipated growth potential, competition, and compatibility with the company's overall objectives and the feasibility of successfully reaching a designated target.

---

29 Eduardo Porter, "Ford, Other Auto Makers Target Hispanic Community," *The Wall Street Journal*, November 9, 2000, p. B4.

30 Suein L. Hwang, "Corona Ads Target Hispanics in Effort to Hop to Head of U.S. Beer Market," *The Wall Street Journal Europe*, November 21–22, 1997, p. 9; Michael Barone, "How Hispanics Are Americanizing," *The Wall Street Journal*, February 6, 1998, p. A22.

31 Parts of the following discussion are adapted from David Arnold, *The Mirage of Global Markets* (Upper Saddle River, NJ: Pearson Education, 2004), Chapter 2.

Current Segment Size and Growth Potential

Is the market segment currently large enough to present a company with the opportunity to make a profit? If the answer is not today, does it have significant growth potential to make it attractive in terms of a company's long-term strategy? Consider the following:

- India is the world's fastest growing cell phone market. The industry is expanding at a rate of 50 percent annually, with 5 million new subscribers added every month. Even so, barriers originating in the political and regulatory environments have shackled private-sector growth.[32]
- In India, 60 million middle class men and women earn more than $275 per month. The segment is growing rapidly and is expected to increase to 73 million by 2010. Young, brand-conscious consumers are buying $100 Tommy Hilfiger jeans and $700 Louis Vuitton handbags. Mohan Murjani owns the rights to sell Tommy Hilfiger in India. Commenting on the country's decade-long economic boom, he notes, "Aspirationally, things changed dramatically. What we were seeing was huge growth in terms of consumers' assets, in terms of their incomes and in terms of their spending power through credit."[33]

As noted earlier, one of the advantages of targeting a market segment globally is that, while the segment in a single-country market might be small, even a narrow segment can be served profitably if the segment exists in several countries. The billion-plus members of the global MTV Generation is a case in point. Moreover, by virtue of its size and purchasing power, the global teen segment is extremely attractive to consumer goods companies. In the case of a huge country market such as India or China, segment size and growth potential may be assessed in a different manner. From the perspective of a consumer packaged-goods company, for example, low incomes and the absence of a distribution infrastructure offset the fact that 75 percent of India's population lives in rural areas. The appropriate decision may be to target urban areas only, even though they are home to only 25 percent of the population. Visa's strategy in China perfectly illustrates this criterion as it relates to demographics: Visa is targeting persons with a monthly salary equivalent to $300 or more. The company estimates that currently 60 million people fit that description; by 2010, the number could include as many as 200 million people.

Thanks to a combination of favorable demographics and lifestyle-related needs, the United States has been a very attractive market for foreign automakers. For example, demand for sports utility vehicles exploded during the 1990s. From 1990 to 2000, SUV sales tripled, growing from nearly 1 million units in 1990 to 2 million units in 1996 and passing 3 million units sold in 2000. Why are these vehicles so popular? Primarily it is the security of four-wheel drive and the higher clearance for extra traction in adverse driving conditions. They also typically have more space for hauling cargo. Reacting to high demand for the Jeep Cherokee, Ford Explorer, and Chevy Blazer, manufacturers from outside the United States introduced models of their own at a variety of price points (see Table 7-7) AutoPacific consultancy predicted that by 2006, at least 79 SUV models would be available as Toyota, Nissan, Rover, BMW, Mercedes, Volkswagen, and other global automakers target American buyers. Even as growth slows in the United States, SUVs are growing in popularity in many other countries. In China, for example,

[32] Eric Bellman, "India's Cellphone Boom May Lose Charge," *The Wall Street Journal*, August 25, 2006, p. A6.

[33] Eric Bellman, "As Economy Grows, India Goes for Designer Goods," *The Wall Street Journal*, March 27, 2007, pp. A1, A17. See also Christina Passariello, "Beauty Fix: Behind L'Oréal's Makeover in India: Going Upscale," *The Wall Street Journal*, July 13, 2007, pp. A1, A14.

In China, only about 1 percent of the population currently owns a credit card. That means roughly 13 million cards for 1.3 billion people. Albert Shiung, China vice president for Visa International Asia Pacific, predicts that 50 million credit cards will be in circulation by 2010. Bank of China offers Visa credit cards bearing the Chinese Olympic symbol: a dancing figure based on the Chinese character jing that means "capital/Beijing." Visitors to the Beijing Olympics in 2008 will expect to use their plastic. The Chinese government wants 60 percent of stores with annual sales of 1 million yuan to accept credit cards by the time the games begin.

SUVs represent the fastest-growing sector in the auto industry; SUVs account for about 40 percent of auto imports. Officials at GM's Cadillac division are considering exporting the company's popular $50,000-plus Escalade model to China.[34]

Potential Competition

A market segment or country market characterized by strong competition may be a segment to avoid. However, if the competition is vulnerable in terms of price or quality disadvantages, it is possible for a market newcomer to make significant inroads. Over the past several decades, for example, Japanese companies in a variety of industries targeted the U.S. market despite the presence of entrenched domestic market leaders. Some of the newcomers proved to be extremely adept at segmenting and targeting; as a result, they made significant inroads. In the motorcycle industry, for example, Honda first created the market for small-displacement dirt bikes. The company then moved upmarket with bigger bikes targeted at casual riders whose psychographic profiles were quite different than those of the hard-core Harley-Davidson riders. In document imaging, Canon outflanked Xerox

Table 7-7

Global Automakers Targeting the U.S. Market with SUVs

Automaker	Current SUV model	Current Price* (or range)	Country of Assembly or Manufacture	Year Introduced
Porsche	Cayenne	$42,000–$100,000	Germany	2003
Volkswagen	Touareg	$35,000–$54,000	Slovakia	2004
Honda	CR-V	$21,000	Japan	1995
Toyota	RAV-4	$19,000–$25,000	Japan	1994
Kia	Sorento	$20,500–$29,000	South Korea	2003
BMW	X5	$40,000–$70,000	United States	2000
Mercedes-Benz	ML 350	$42,000–$50,000	United States	2003

* Price variations due to engine, drive train, trim, and other options.

[34] Peter Wonacott and Lee Hawkins Jr., "Saying 'Beamer' in Chinese," *The Wall Street Journal*, November 6, 2003, p. B1. See also Joseph B. White, "Rollback: America's Love Affair with Sport Utilities Is Now Cooling Off," *The Wall Street Journal*, May 30, 2001, pp. A1, A8.

by offering compact desktop copiers and targeting department managers and secretaries. Similar case studies can be found in earth-moving equipment (Komatsu versus Caterpillar), photography (Fuji versus Kodak), and numerous other industries. By contrast, there are also many examples of companies whose efforts to develop a position in the United States ended in failure. For example, in the computer industry, Acer failed to make headway in a U.S. market dominated by such strong brand names such as Dell (see Case 1-2).

Feasibility and Compatibility

If a market segment is judged to be large enough, and if strong competitors are either absent or deemed to be vulnerable, then the final consideration is whether a company can and should target that market. The feasibility of targeting a particular segment can be negatively impacted by various factors. For example, significant regulatory hurdles may be present that limit market access. This issue is especially important in China today. The company may also encounter cultural barriers, as was the case with Tambrands' efforts to build its feminine-hygiene market. Other marketing-specific issues can arise; in India, for example, three to five years are required to build an effective distribution system for many consumer products. This fact may serve as a deterrent to foreign companies that might otherwise be attracted by the apparent potential of India's large population.[35]

Managers must decide how well a company's product fits the country market in question—or, as noted, if the company does not currently offer a suitable product, can it develop one? To make this decision, a marketer must consider several criteria:

- Will adaptation be required? If so, is this economically justifiable in terms of the expected sales volume?
- Will import restrictions, high tariffs, or a strong home-country currency drive up the price of the product in the target market currency and effectively dampen demand?
- Is it advisable to source locally? In many cases, reaching global market segments requires considerable expenditures for distribution and travel by company personnel. Would it make sense to source products in the country for export elsewhere in the region?

Finally, it is important to address the question of whether targeting a particular segment is compatible with the company's overall goals, its brand image, or established sources of competitive advantage. For example, BMW is one of the world's premium auto brands. Should BMW add a minivan to its product lineup? As BMW CEO Helmut Panke explained recently, "There is a segment in the market which BMW is not catering to and that is the minivan or MPV segment. We don't have a van because a van as it is in the market today does not fulfill any of the BMW group brand values. We all as a team said 'no'."[36]

A Framework for Selecting Target Markets

As one can infer from this discussion, it would be extremely useful to have formal tools or frameworks available when assessing emerging country markets. Table 7-8 presents a market selection framework that incorporates some of the

[35] Khozem Merchant, "Sweet Rivals Find Love in a Warm Climate," *Financial Times*, July 24, 2003, p. 9.

[36] Neal E. Boudette, "BMW's CEO Just Says 'No' to Protect Brand," *The Wall Street Journal*, November 26, 2003, p. B1.

Market	Market Size	Competitive Advantage		Market Potential	Terms of Access	Market Potential
China (1.3 billion)	100	.07	=	7	.50	3.5
Russia (150 million)	50	.10	=	5	.60	3.0
Mexico (94 million)	20	.20	=	4	.90	3.6

Table 7-8

Market Selection Framework

elements just discussed. Suppose an American company has identified China, Russia, and Mexico as potential country target markets. The table shows the countries arranged in declining rank by market size. At first glance, China might appear to hold the greatest potential simply on the basis of size. However, the competitive advantage of our hypothetical firm is 0.07 in China, 0.10 in Russia, and 0.20 in Mexico. Multiplying the market size and competitive advantage index yields a market potential of 7 in China, 5 in Russia, and 4 in Mexico.

The next stage in the analysis requires an assessment of the various market access considerations. In Table 7-8, all these conditions or terms are reduced to an index number of terms of access, which is 0.50 for China, 0.60 for Russia and 0.90 Mexico. In other words, the "market access considerations" are more favorable in Mexico than in Russia, perhaps in this instance due to NAFTA. Multiplying the market potential by the terms of access index suggests that Mexico, despite its small size, holds greater export potential than China or Russia.

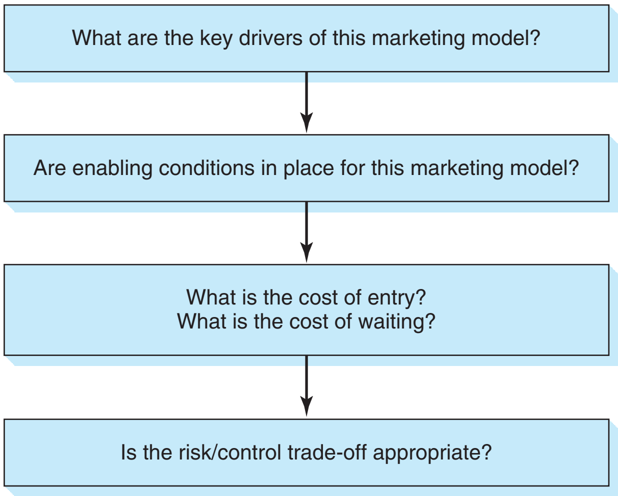
Although the framework in Table 7-8 should prove useful as a preliminary screening tool for intercountry comparisons, it does not go far enough in terms of assessing actual market potential. Global marketing expert David Arnold has developed a framework that goes beyond demographic data and considers other, marketing-oriented assessments of market size and growth potential. Instead of a "top-down" segmentation analysis beginning with, for example, income or population data from a particular country, Arnold's framework is based on a "bottom-up" analysis that begins at the product-market level. The term **product-market** refers to a market defined by a product category; in the automotive industry, for example, phrases such as "luxury car market," "SUV market," and "minivan market" refer to specific product-markets. By contrast, phrases such as "the Russian market" or "the Indian market" refer to country markets.

As shown in Figure 7-2, Arnold's framework incorporates two core concepts: marketing model drivers and enabling conditions. **Marketing model drivers** are key elements or factors required for a business to take root and grow in a particular country market environment. The drivers may differ depending on whether a company serves consumer or industrial markets. Does success hinge on establishing or leveraging a brand name? Or, is distribution or a tech-savvy sales staff the key element? Marketing executives seeking an opportunity must arrive at insights into the true driving force(s) that will affect success for their particular product-market. **Enabling conditions** are structural market characteristics whose presence or absence can determine whether the marketing model can succeed. For example, in India, refrigeration is not widely available in shops and market food stalls. This creates challenges for Nestlé and Cadbury Schweppes as they attempt to capitalize on Indians' increasing appetite for chocolate confections. Although Nestlé's KitKat and Cadbury's Dairy Milk bars have been reformulated to better withstand heat, the absence or rudimentary nature of refrigeration hampers the companies' efforts to ensure their products are in saleable condition.

Figure 7-2

Screening Criteria for Market Segments

Source: Arnold, David, *Mirage of Global Markets, The: How Globalizing Companies Can Succeed As Markets Localize,* 1st Edition, © 2004. Reprinted by permission of Pearson Education, Inc., Upper Saddle River, NJ.



After marketing-model drivers and enabling conditions have been identified, the third step is for management to weigh the estimated costs associated with entering and serving the market with potential short- and long-term revenue streams. Does this segment or country market merit entry now? Or, would it be better to wait until specific enabling conditions are established? The issue of timing is often framed in terms of the quest for **first-mover advantage**. The conventional wisdom is that the first company to enter a market has the best chance of becoming the market leader. Examples from the history of global marketing that appear to support this notion include the Coca-Cola Company, which established itself globally during World War II. However, there are also first-mover *disadvantages*. The first company to enter a market often makes substantial investments in marketing only to find that a late-arriving competitor reaps some of the benefits. There is ample evidence that late entrants into global markets can also achieve success. One way they do this is by benchmarking established companies and then outmaneuvering them, first locally and then globally. Jollibee, the Philippines-based fast-food chain, is a case in point.

Late movers can also succeed by developing innovative business models. This approach was used by Stephen Millar, chief executive of Australian wine producer BRL Hardy. Millar's insight was that no leading global brand had emerged in the wine business; in other words, there was no equivalent to Coca-Cola. During the 1990s, Hardy established itself as a leading global brand. It accomplished this by moving on several fronts. First, it took control of the sales function. Second, the company made sure its wines were crafted to appeal to a broader demographic than "wine snobs" who tend to favor bottles from France and Italy. Third, it supplemented its line of Australian brands with select brands from other countries. In 2002, Hardy sold 20 million cases of wine worldwide. Today, Hardy is one of the world's top 10 wine companies.[37]

One way to determine the marketing model drivers and enabling conditions is to create a product-market profile. The profile should address some or all of the following basic questions:

1. Who buys our product or brand?
2. Who does not buy our product or brand?
3. What need or function does our product serve? Does our product or brand address that need?

[37] Christopher A. Bartlett and Sumantra Ghoshal, "Going Global: Lessons from the Late Movers," *Harvard Business Review* 78, no. 2 (March–April 2000), pp. 138–140. See also Christopher Lawton, "Aussie Wines Star at Spirits Marketer Constellation Brands," *The Wall Street Journal*, January 16, 2004, pp. B1, B4.

4. Is there a market need that is not being met by current product, or brand, offerings?
5. What problem does our product solve?
6. What are customers currently buying to satisfy the need or solve the problem that our product targets?
7. What price are they paying for the product they are currently buying?
8. When is our product purchased?
9. Where is our product purchased?

PRODUCT-MARKET DECISIONS

The next step is in assessing market segments is a company review of current and potential product offerings in terms of their suitability for the country market or segment. This assessment can be performed by creating a product-market grid that maps markets as horizontal rows on a spreadsheet and products as vertical columns. Each cell represents the possible intersection of a product and a market segment. In the case of the candy companies just discussed, both Nestlé and Cadbury determined that a liquid chocolate confection would be one way to address the issue of India's hot weather. The companies are also working to improve the enabling conditions for selling traditional chocolate treats by supplying coolers to merchants.

Table 7-9 shows a product-market grid for Lexus. Toyota launched the Lexus brand in 1989 with two sedan models. In market segmentation terms, the luxury car buyer Lexus hoped to attract is associated with an upper-income demographic. In 1996, Lexus launched its first sport utility vehicle. The decision to enter the SUV product-market represented management's desire to reach upper-income consumers whose lifestyles required something other than a luxury sedan. In 2007, Lexus offered a total of nine different models in the United States; these include the top-of-the line LX470 luxury utility vehicle, the LS430 luxury sedan and, at the entry level, the IS series. Lexus vehicles are marketed in more than 60 countries; the United States is the number one market. Ironically, in Japan the vehicles were sold for years under the Toyota nameplate; the line was relaunched under the Lexus brand in 2005.[38]

Lexus sold about 50,700 vehicles in Europe in 2006, with the United Kingdom accounting for about 30 percent of those sales. Management intends to build Lexus into a global luxury brand; the goal is to sell 65,000 cars in Europe by the end of the decade. That, in turn, means that the company has to target Germany, the largest market in Europe where 4 in 10 vehicles bought are luxury models. Approximately 15 million cars are sold in Europe each year; Germany accounts for nearly one-quarter of the total. In 2003, Lexus sold about 2,500 cars in Germany; by comparison, Mercedes and BMW sold a combined total of more than 500,000 vehicles. Can Lexus succeed on the home turf of two of the world's leading luxury carmakers? To appeal to Germany's nationalistic car buyers, Lexus vehicles are undergoing significant adaptation. For example, because Germans want the option of buying vehicles with diesel engines, Lexus developed new diesel models for 2006 as well as a gas-electric hybrid engine for the RX330 SUV. Note that, in Europe, Lexus offers the top-of-the-line LX470 in only one country: Russia. Can you explain this situation? How do the model offerings vary among the BRIC countries?

[38] Jathon Sapsford, "Toyota Introduces a New Luxury Brand in Japan: Lexus," *The Wall Street Journal*, August 3, 2005, pp. B1, B5.

Table 7-9

Product-Market Grid for Lexus, Select Country Markets, 2006

Country Segment	Vehicle Model								
	ES	GS	GX	IS	LS	LX	RX	RX HV	SC
Asia									
Hong Kong	X	X		X	X		X	X	X
China	X	X		X	X	X	X		X
Taiwan	X	X		X	X	X	X	X	X
India					X				
North America									
Canada	X	X	X	X	X	X	X	X	X
USA	X	X	X	X	X	X	X	X	X
Mexico									
South America									
Brazil									
Europe									
Austria		X		X	X		X	X	X
Belgium		X		X	X		X	X	X
Czech Rep.		X		X	X		X	X	X
Denmark		X		X	X		X	X	X
Finland		X		X	X		X	X	X
France		X		X	X		X	X	X
Germany		X		X	X		X	X	X
Gr. Britain		X		X	X		X	X	X
Greece		X		X	X		X	X	X
Ireland		X		X	X		X	X	X
Netherlands		X		X	X		X	X	X
Portugal		X		X	X		X	X	X
Russia		X		X	X	X	X	X	X
Sweden		X		X	X		X	X	X
Switzerland		X		X	X		X	X	X
Middle East									
Israel		X		X	X				
Kuwait	X	X		X	X	X	X		X
Saudi Arabia	X	X		X	X	X	X		X

Source: Lexus Marketing.

TARGET MARKET STRATEGY OPTIONS

After evaluating the identified segments in terms of the three criteria presented, a decision is made whether to pursue a particular opportunity or not. If the decision is made to proceed, an appropriate targeting strategy must be developed. There are three basic categories of target marketing strategies: standardized marketing, concentrated marketing, and differentiated marketing.

Standardized Global Marketing

Standardized global marketing is analogous to mass marketing in a single country. It involves creating the same marketing mix for a broad mass market of potential buyers. Standardized global marketing, also known as *undifferentiated target marketing*, is based on the premise that a mass market exists around the world. In addition, that mass market is served with a marketing mix of standardized elements. Product adaptation is minimized, and a strategy of intensive distribution ensures that

GLOBAL *marketing in action*

Targeting Adventure Seekers with an American Classic

In 2003, Harley-Davidson (H-D) celebrated its one-hundredth anniversary. The company grew impressively during its first 100 years of operation; as the twenty-first century began, H-D had sales of $2.1 billion, 8,000 employees worldwide, and a network of 1,300 dealerships in 48 countries. Savvy export marketing enabled H-D to dramatically increase worldwide sales of its heavyweight motorcycles. From Australia to Germany to Mexico City, H-D enthusiasts are paying the equivalent of up to $25,000 to own an American-built classic. In many countries, dealers must put would-be buyers on a six-month waiting list because of high demand.

H-D's international success came after years of neglecting overseas markets. The company was also slow to react to a growing threat from Japanese manufacturers. Early on, the company used an export-selling approach, symbolized by its underdeveloped dealer network. Moreover, print advertising simply used word-for-word translations of the U.S. ads. By the late 1980s, after recruiting dealers in the important Japanese and European markets, company executives discovered a basic principle of global marketing. "As the saying goes, we needed to think global but act local," said Jerry G. Wilke, vice president for worldwide marketing during that time. Managers began to adapt the company's international marketing to make it more responsive to local conditions.

In Japan, for example, H-D's rugged image and high quality helped make it the best-selling imported motorcycle. Still, Toshifumi Okui, president of H-D's Japanese division, was not satisfied. He worried that the tag line from the U.S. ads, "One steady constant in an increasingly screwed-up world," didn't connect with Japanese riders. Okui finally convinced Milwaukee to allow him to launch a Japan-only advertising campaign juxtaposing images from both Japan and the United States, such as American cyclists passing a rickshaw carrying a geisha. After learning that riders in Tokyo consider fashion and customized bikes to be essential, H-D opened two stores specializing in clothes and bike accessories.

In Europe, H-D discovered that an "evening out" means something different than it does in America. The company sponsored a rally in France, where beer and live rock music were available until midnight. Recalls Wilke, "People asked us why we were ending the rally just as the evening was starting. So I had to go persuade the band to keep playing and reopen the bar until 3 or 4 am." Still, rallies are less common in Europe than in the United States so H-D encourages its dealers to hold open houses at their dealerships. While biking through Europe, Wilke also learned that German bikers often travel at speeds exceeding 100 miles per hour. The company made design changes to create a smoother ride at Autobahn speeds. H-D's German marketing effort began focusing on accessories to increase rider protection. Today, the company has a clear picture of its core European customers; as Klaus Stobel, European affairs director for Harley-Davidson Europe, explained, "The people who buy Harleys in Europe are like the people who buy BMWs in the U.S. They are dentists and lawyers." Even so, in 2002, Europe accounted for just 8 percent of 2002 global revenues.

> *"Everyone thinks we produce big, showy, custom motorcycles. We actually have a broad range of bikes that well suit European riding habits. We have a perception problem around Harley which is an issue we need to tackle."*
>
> John Russell, Managing Director, Harley-Davidson Europe

Despite high demand from brand-loyal enthusiasts, the company intentionally limits production increases to keep quality high and to keep the product supply limited in relation to demand. The company's total motorcycle production recently passed the 250,000 mark. Even so, there are not enough bikes to go around, a situation that seems to suit company executives just fine. As former H-D president James H. Paterson once commented, "Enough motorcycles is too many motorcycles."

Sources: Jeremy Grant and Harald Ehren, "Harley-Davidson Eyes Europe," Financial Times, *July 28, 2003, p. 17; Kevin Kelly and Karen Lowry Miller, "The Rumble Heard Round the World: Harleys,"* Business Week, *May 24, 1993, pp. 58, 60; Robert L. Rose, "Vrooming Back: After Nearly Stalling, Harley-Davidson Finds New Crowd of Riders,"* The Wall Street Journal, *August 31, 1990, pp. A1, A6; John Holusha, "How Harley Outfoxed Japan with Exports,"* The New York Times, *August 12, 1990, p. F5; Robert C. Reid, "How Harley Beat Back the Japanese,"* Fortune, *September 25, 1989, pp. 155+.*

the product is available in the maximum number of retail outlets. The appeal of standardized global marketing is clear: lower production costs. The same is true of standardized global communications.

CONCENTRATED GLOBAL MARKETING

The second global targeting strategy, concentrated target marketing, involves devising a marketing mix to reach a **niche**. A niche is simply a single segment of the global market. In cosmetics, the House of Lauder, Chanel, and other cosmetics marketers have used this approach successfully to target the upscale, prestige segment of the market. Similarly, Body Shop International PLC caters to consumers in many countries who wish to purchase "natural" beauty aids and cosmetics that have not been tested on animals. Concentrated targeting is also the strategy

As Harley-Davidson continues to expand internationally, it is diversifying its customer base by targeting female riders in key markets such as Japan. Recently, H-D has posted double-digit sales increases outside the United States. According to chief executive Jim Ziemer, this is evidence that the company's long-term strategy is working. H-D has replaced many dealers in Europe, acquired its Australian distributor, and is establishing full-service dealerships in China and Thailand.

employed by the hidden champions of global marketing: Companies unknown to most people that have succeeded by serving a niche market that exists in many countries. These companies define their markets narrowly and strive for global depth rather than national breadth. For example, Germany's Winterhalter is a hidden champion in the dishwasher market, but the company has never sold a dishwasher to a consumer, hospital, or school. Instead, it focuses exclusively on dishwashers and water conditioners for hotels and restaurants. As Jürgen Winterhalter noted recently, "The narrowing of our market definition was the most important strategic decision we ever made. It is the very foundation of our success in the past decade."[39]

"There is a significant difference between the 'mass market' and the premium segment. In the mass market, customers are looking for a good deal. In the premium segment, they are searching for a vehicle that fulfills their expectations and their emotions."[40]

Helmut Panke, Chairman BMW

Differentiated Global Marketing

The third target marketing strategy, **differentiated global marketing**, represents a more ambitious approach than concentrated target marketing. Also known as **multisegment targeting**, this approach entails targeting two or more distinct market segments with multiple marketing mix offerings. This strategy allows a company to achieve wider market coverage. For example, in the sport utility vehicle segment described previously, Rover has a $68,000 Range Rover at the high end of the market. A scaled-down version, the Land Rover Discovery, competes directly with the Jeep Grand Cherokee. Rover's newest vehicle, the Freelander, has been on sale in Europe for several years. Freelander was introduced in the U.S. market in December 2001 with prices starting at $25,000. Likewise, Stolichnaya produces three brands of Russian vodka, each targeted at a different market segment: superpremium Stolichnaya Cristal, the premium "base" brand Stolichnaya, and low-priced Privet (the name means "greetings" in Russian).

[39] Hermann Simon, *Hidden Champions: Lessons from 500 of the World's Best Unknown Companies* (Boston: Harvard Business School Press, 1996), p. 54.

[40] Helmut Panke and Alex Taylor III, "BMW Turns More American Than Ever," *Fortune,* February 2004, p. 130.

In the cosmetics industry, Unilever pursues differentiated global marketing strategies by targeting both ends of the perfume market. Unilever targets the luxury market with Calvin Klein and Elizabeth Taylor's Passion; Wind Song and Brut are its mass-market brands. Mass marketer Procter & Gamble, known for its Old Spice and Incognito brands, also embarked upon this strategy with its 1991 acquisition of Revlon's EuroCos, marketer of Hugo Boss for men and Laura Biagiotti's Roma perfume. In the mid-1990s, P&G launched a new prestige fragrance, Venezia, in the United States and several European countries. Currently, P&G also markets Envy, Rush, and other Gucci fragrances as a licensee of the Italian fashion house. Conversely, in 1997 Estée Lauder acquired Sassaby, owner of the mass-market Jane brand. This action marked the first move by Lauder outside the prestige segment.[41]

POSITIONING

The term *positioning* is attributed to marketing gurus Al Ries and Jack Trout, who first introduced it in a 1969 article published in *Industrial Marketing* magazine. **Positioning** refers to the act of differentiating a brand in customers' minds in relation to competitors in terms of attributes and benefits that the brand does and does not offer. Put differently, positioning is the process of developing strategies for "staking out turf" or "filling a slot" in the mind of target customers.[42] Positioning is frequently used in conjunction with the segmentation variables and targeting strategies discussed previously. For example, Unilever and other consumer goods companies often engage in differentiated target marketing, offering a full range of brands within a given product category. Unilever's 10 detergent brands include All, Wisk, Surf, and Persil; each is positioned slightly differently. In some instances, extensions of a popular brand can be positioned in different ways. For example, Colgate's Total toothpaste is positioned as the brand that addresses a full range of oral health issues, including gum disease. In most parts of the world Total is available in several formulations, including Total Advanced Clean, Total Clean Mint Paste, and Total Whitening Paste. Effective positioning differentiates each variety from the others.

In the decades since Ries and Trout first focused attention on the importance of the concept, marketers have utilized a number of general positioning strategies. These include positioning by attribute or benefit, quality and price, use or user,

global MARKETING Q&A

Outlook: "You have a number of brands that are somewhat similar. Isn't there a risk of cannibalization among them?"

Franck Riboud, Chairman and CEO, Groupe Danone: "Our brands have different positionings within the same market. With our bottled waters, for example, Evian is strongly associated with health and beauty—a promise of youthful looks through drinking water—while Volvic promotes the same message but associates it with energy through replenishing the body during sports activities. They don't cannibalize each other, because they're marketed as promoting different qualities."

Source: "Think Global, Act Local," Outlook *no. 3 (2003), p. 9.*

[41] Tara Parker-Pope, "Estée Lauder Buys Jane Brand's Owner for Its First Venture into Mass Market," *The Wall Street Journal*, September 27, 1997, p. B8.
[42] Al Ries and Jack Trout, *Positioning: The Battle for Your Mind* (New York: Warner Books, 1982), p. 44.

and competitor.[43] Recent research has identified three additional positioning strategies that are particularly useful in global marketing: global consumer culture positioning, local consumer culture positioning, and foreign consumer culture positioning.

Attribute or Benefit

A frequently used positioning strategy exploits a particular product attribute, benefit, or feature. Economy, reliability, and durability are frequently used attribute/benefit positions. Volvo automobiles are known for solid construction that offers safety in the event of a crash. By contrast, BMW is positioned as "the ultimate driving machine," a reference that signifies performance. In the ongoing credit card wars, Visa's advertising theme "It's Everywhere You Want to Be" draws attention to the benefit of worldwide merchant acceptance. In global marketing, it may be deemed important to communicate the fact that a brand is imported. This approach is known as *foreign consumer culture positioning* (FCCP).

Quality and Price

This strategy can be thought of in terms of a continuum from high fashion/quality and high price to good value (rather than "low quality") at a reasonable price. A legendary print ad campaign for Belgium's Stella Artois beer juxtaposes a cap pried off a bottle of Stella with images of prized possessions such as a Steinway piano. The tagline "Reassuring expensive" is the only copy; upon close inspection of the Steinway, the reader can see that one of the keys is broken because it was used to open the bottle! InBev, the world's biggest brewer in terms of volume, markets the Stella Artois brand. InBev was formed in 2004 by the merger of Belgium's Interbrew and AmBev, Brazil's leading brewer. While Stella is regarded as an "everyday" beer in its local market of Belgium, the marketing team at InBev has repositioned it as a premium global brand.[44]

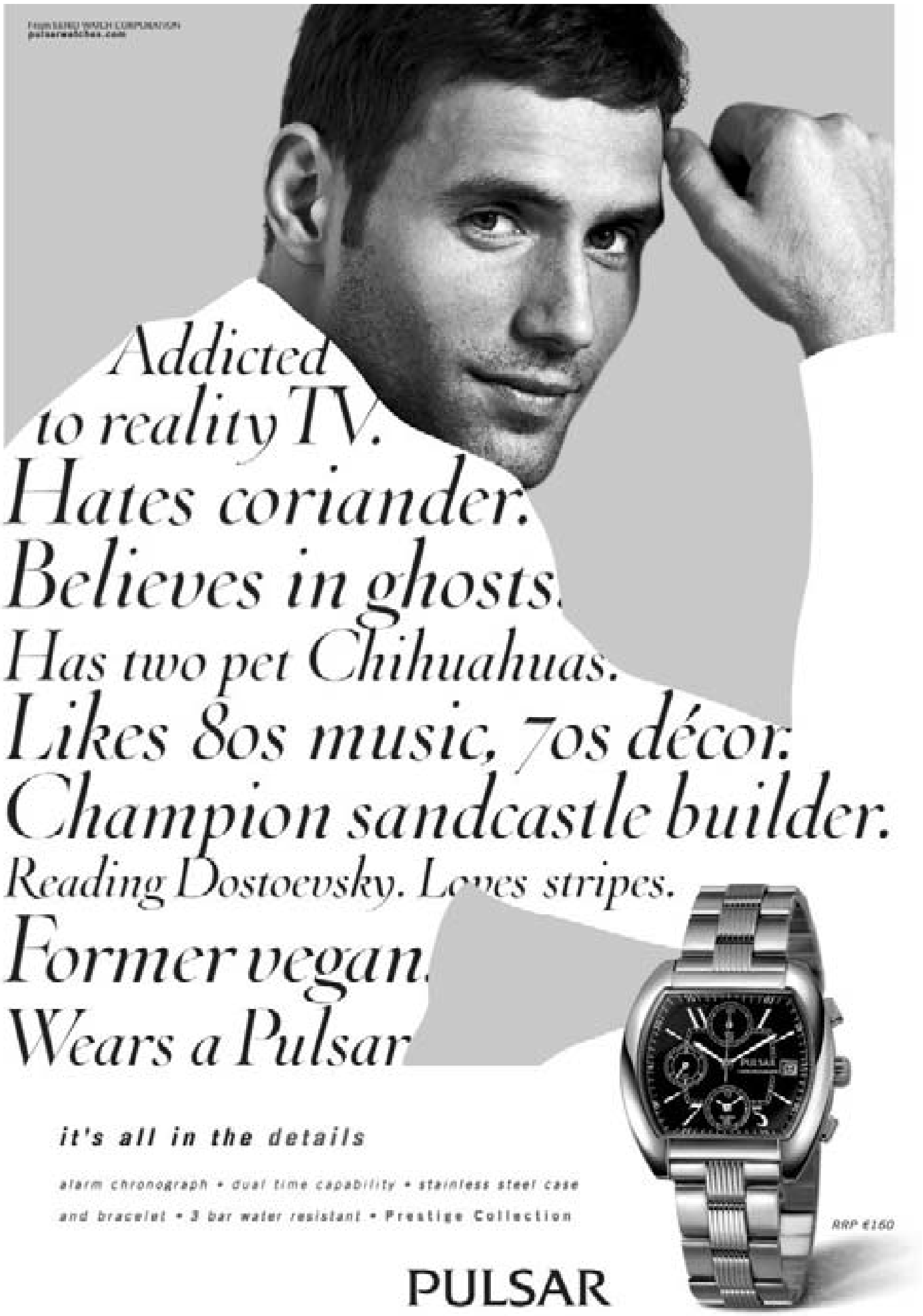
At the high end of the distilled spirits industry, marketers of imported vodkas such as Belvedere and Stolichnaya Gold have successfully positioned their brands as superpremium entities selling for twice the price of premium ("ordinary") vodka. Ads for several export vodka brands emphasize their national origins, demonstrating how FCCP can reinforce quality and price positioning. Marketers sometimes use the phrase "transformation advertising" to describe advertising that seeks to change the experience of buying and using a product—in other words, the product benefit—to justify a higher price/quality position. Presumably, buying and drinking Grey Goose (from France), Belvedere (Poland), Ketel One (the Netherlands), or Stolichnaya Gold (Russia) is a more gratifying consumption experience than that of buying and drinking a "bar brand" such as Popov (who knows where it is made?).

Use or User

Another positioning strategy represents how a product is used or associates the brand with a user or class of users. For example, to capitalize on the global success and high visibility of the *Lord of the Rings* trilogy, Gillette's Duracell battery unit ran print and TV ads proclaiming that, on location in remote areas of New Zealand, *Rings* director Peter Jackson and his crew used Duracell exclusively. Likewise, Max Factor makeup is positioned as "the makeup that makeup artists use."

[43] David A. Aaker and J. Gary Shansby, "Positioning Your Product," *Business Horizons* 25, no. 2 (May–June 1982), pp. 56–62.

[44] "Head to Head," *Economist*, October 29, 2005, pp. 66–69.



Japan's Seiko Corporation owns the Pulsar watch brand. The global market for timepieces can be segmented in various ways such as benefits sought. For example, many consumers consider a watch to be a fashion accessory. Watchmakers can pursue any or all of the target market strategies discussed in the chapter. Pulsar is a mass-market brand; this print ad positions the brand by user.

Competition

Implicit or explicit reference to competitors can provide the basis for an effective positioning strategy. For example, when Anita Roddick started Body Shop International in the 1970s, she emphasized the difference between the principles pursued by "mainstream" health and beauty brands and those of her company. The Body Shop brand stands for natural ingredients, no animal testing, and recyclable containers. Moreover, Roddick abandoned the conventional industry approach of promising miracles; instead, women were given realistic expectations of what health and beauty aids can accomplish. More recently, Dove's "Campaign for Real Beauty" broke new ground by positioning the brand around a new definition of beauty. The campaign is based on research commissioned by Silvia Lagnado, Dove's global brand director. The research

The Dove Campaign for Real Beauty supports the mission of the Dove® brand to widen the definition of beauty. The Campaign supports the Dove Self-Esteem Fund by developing workshops and education tools that help foster positive self-esteem in both girls and young women. The Campaign for Real Beauty has generated a significant amount of favorable publicity worldwide.

indicated that, worldwide, only 2 percent of women consider themselves beautiful. Armed with this insight, Ogilvy & Mather Worldwide's office in Dusseldorf developed the concept that is the basis of the "Campaign for Real Beauty."

Global, Foreign, and Local Consumer Culture Positioning[45]

As noted in Chapter 4 and discussed briefly in this chapter, global consumer culture positioning is a strategy that can be used to target various segments associated with the emerging global consumer culture. **Global consumer culture positioning (GCCP)** is defined as a strategy that identifies the brand as a symbol of a particular global culture or segment. It has proven to be an effective strategy for communicating with global teens, cosmopolitan elites, globe-trotting laptop warriors who consider themselves members of a "transnational commerce culture," and other groups. For example, Sony's brightly colored "My First Sony" line is positioned as *the* electronics brand for youngsters around the globe with discerning parents. Philips' current global corporate image campaign is keyed to the theme "Sense and Simplicity." Benetton uses the slogan "United Colors of Benetton" to position itself as a brand concerned with the unity of humankind. Heineken's strong brand equity around the globe can be attributed in good measure to a GCCP strategy that reinforces consumers' cosmopolitan self-image.

Certain categories of products lend themselves especially well to GCCP. High-tech and high-touch products are both associated with high levels of customer involvement and by a shared "language" among users.[46] *High-tech products* are

[45] The following discussion is adapted from Dana L. Alden, Jan-Benedict Steenkamp, and Rajeev Batra, "Brand Positioning Through Advertising in Asia, North America, and Europe: The Role of Global Consumer Culture," *Journal of Marketing* 63, no. 1 (January 1999), pp. 75–87.

[46] Teresa J. Domzal and Lynette Unger, "Emerging Positioning Strategies in Global Marketing," *Journal of Consumer Marketing* 4, no. 4 (Fall 1987), pp. 26–27.

sophisticated, technologically complex, and/or difficult to explain or understand. When shopping for them, consumers often have specialized needs or interests and rational buying motives. High-tech brands and products are frequently evaluated in terms of their performance against established objective standards. Portable MP3 players, cellular phones, personal computers, home theater audio/video components, luxury automobiles, and financial services are some of the high-tech product categories for which companies have established strong global positions. Buyers typically already possess—or wish to acquire—considerable technical information. Generally speaking, for example, computer buyers in all parts of the world are equally knowledgeable about Pentium microprocessors, 120-gigabyte hard drives, software RAM requirements, and flat-panel displays. High-tech global consumer positioning also works well for special interest products associated with leisure or recreation. Fuji bicycles, Adidas sports equipment, and Canon cameras are examples of successful global special-interest products. Because most people who buy and use high-tech products "speak the same language" and share the same mindset, marketing communications should be informative and emphasize performance-related attributes and features to establish the desired GCCP.

By contrast, when shopping for *high-touch products*, consumers are generally energized by emotional motives rather than rational ones. Consumers may feel an emotional or spiritual connection with high-touch products, the performance of which is evaluated in subjective, aesthetic terms rather than objective, technical terms. Consumption of high-touch products may represent an act of personal indulgence, reflect the user's actual or ideal self-image, or reinforce interpersonal relationships between the user and family members or friends. High-touch products appeal to the senses more than the intellect; if a product comes with a detailed user's manual, it's probably high tech; by contrast, the consumption experience associated with a high-touch product probably does not entail referring to an instruction manual. Luxury perfume, designer fashions, and fine champagne are all examples of high-touch products that lend themselves to GCCP. Some high-touch products are linked with the joy or pleasure found in "life's little moments." Ads that show friends chatting over a cup of coffee in a café or someone's kitchen put the product at the center of everyday life. As Nestlé has convincingly

B&O recently unveiled a $7,000, 14-speaker sound system for the Audi A8. Even when played at maximum volume, persons outside the vehicle can't hear anything.

demonstrated with its Nescafé brand, this type of high-touch, emotional appeal is understood worldwide.

A brand's GCCP can be reinforced by the careful selection of the thematic, verbal, or visual components that are incorporated into advertising and other communications. For marketers seeking to establish a high-touch GCCP, leisure, romance, and materialism are three themes that cross borders well. By contrast, professionalism and experience are advertising themes that work well for high-tech products such as global financial services. Several years ago, for example, Chase Manhattan bank launched a $75 million global advertising campaign geared to the theme "Profit from Experience." According to Aubrey Hawes, a vice president and corporate director of marketing for the bank, Chase's business and private banking clients "span the globe and travel the globe. They can only know one Chase in their minds, so why should we try to confuse them?"[47] Presumably, Chase's target audience is sophisticated enough to appreciate the subtlety of the copywriter's craft—"profit" can be interpreted as either a noun ("monetary gain") or a verb ("reap an advantage").

In some instances, products may be positioned globally in a "bipolar" fashion as both high tech and high touch. This approach can be used when products satisfy buyers' rational criteria while evoking an emotional response. For example, audio-video components from Denmark's Bang & Olufsen, by virtue of their performance and elegant styling, are perceived as both high tech ("advanced engineering and sonically superior") and high touch ("sleek modern design blends in nicely with the rest of the décor"). As CEO Torben Ballegaard Sørensen explains, "Our brand is about feeling good at home, or where you feel at home—in a car or in a hotel. When daily life is cluttered, you can come home to a system that works and is tranquil. It cocoons you."[48] Nokia has become the world's leading cellular phone brand because the company combines state-of-the-art technical performance with a fashion orientation that allows users to view their phones as extensions of themselves. Likewise, Apple Inc. positions its products on the basis of both performance ("64-bit Intel Core 2 Duo processor") and design (the hard drive and other components are integrated with the iMac's flat-screen display).

Writing in the Financial Times, *Jonathan Margolis describes Apple's iPod music player as "an all-time design classic." Similarly, in his review in the* Far Eastern Economic Review, *Charles Bickers praised the Titanium G4 laptop for its "stunning" looks and noted that the laptop "oozes understated corporate power."* eWeek's *reviewer asserted that the G4's tough, sleek titanium shell "redefines how a notebook computer should appear and feel." High-touch products are intended to evoke these types of responses. Style is not the only story, however; the technical features of Apple products, including the iPhone, iPod Touch, and new iMac computer models pictured here, also satisfy users' requirements for performance and functionality.*

[47] Gary Levin, "Ads Going Global," *Advertising Age,* July 22, 1991 p. 42.
[48] John Gapper, "When High Fidelity Becomes High Fashion," *Financial Times,* December 20, 2005, p. 8.

To the extent that English is the primary language of international business, mass media, and the Internet, one can make the case that English signifies modernism and a cosmopolitan outlook. Therefore, the use of English in advertising and labeling throughout the world is another way to achieve GCCP. Benetton's tag line "United Colors of Benetton" appears in English in all the company's advertising. The implication is that fashion-minded consumers everywhere in the world shop at Benetton. Recall the Chapter 4 discussion of the use of English as a marketing tool in Japan. Even though a native English speaker would doubtless find the syntax to be muddled, it is the symbolism associated with the use of English that counts rather than specific meanings that the words might (or might not) convey. A third way to reinforce a GCCP is to use brand symbols that cannot be interpreted as associated with a specific country culture. Examples include Nestlé's "little nest" logo with an adult bird feeding its babies, the Nike swoosh, and the Mercedes-Benz star.

A second option is **foreign consumer culture positioning (FCCP)**, which associates the brand's users, use occasions, or production origins with a foreign country or culture. Foster's Brewing Group's U.S. advertising proudly trumpets the brand's national origin; print ads feature the tag line "Foster's. Australian for Beer" while TV and radio spots are keyed to the theme "How to Speak Australian." Needless to say, these ads are not used in Australia itself. Advertising for Grupo Modelo's Corona Extra brand is identified more generally with Latin America. The "American-ness" of Levi jeans, Marlboro cigarettes, and Harley-Davidson motorcycles—sometimes conveyed with subtlety, sometimes not—enhances their appeal to cosmopolitans around the world and offers opportunities for FCCP. FCCP is sometimes used in automobile advertising; in the early 1990s, for example, Volkswagen ran an advertising campaign featuring a German word, *Fahrvergnügen*, that was meant to signify both the cars' German origins and a European joy of driving. Sometimes, brand names suggest an FCCP even though a product is of local origin. For example, the name "Häagen-Dazs" was made up to imply Scandinavian origin even though the ice cream was launched by an American company. Conversely, a popular chewing gum in Italy marketed by Perfetti bears the brand name "Brooklyn."

Marketers can also utilize **local consumer culture positioning (LCCP)**, a strategy that associates the brand with local cultural meanings, reflects the local culture's norms, portrays the brand as consumed by local people in the national culture, or depicts the product as locally produced for local consumers. An LCCP approach can be seen in Budweiser's U.S. advertising; ads featuring the Clydesdale horses, for example, associate the brand with small-town American culture. Researchers studying television advertising in seven countries found that LCCP predominated, particularly in ads for food, personal nondurables, and household nondurables.

summary

The global environment must be analyzed before a company pursues expansion into new geographic markets. Through **global market segmentation**, a company can identify and group customers or countries according to common needs and wants. **Demographic segmentation** can be based on country income and population, age, ethnic heritage, or other variables. **Psychographic segmentation** groups people according to attitudes, interests, opinions, and lifestyles. **Behavioral segmentation** utilizes **user status** and **usage rate** as segmentation variables. Segmentation can also be based on the **benefits** buyers seek. **Global teens** and **global elites** are two examples of global market segments.

After marketers have identified segments, the next step is **targeting**: The identified groups are evaluated and compared, and one or more segments with the greatest potential is selected from them. The groups are evaluated on the basis of several factors, including segment size and growth potential, competition, and compatibility and feasibility. Target market assessment also entails a thorough understanding of the **product-market** in question and determining **marketing model drivers** and **enabling conditions** in the countries under study. The timing of market entry should take into account whether a **first-mover advantage** is likely to be gained. After evaluating the identified segments, marketers must decide on an appropriate targeting strategy. The three basic categories of global target marketing strategies are **standardized marketing, concentrated (niche) marketing**, and **differentiated (multisegment) marketing**.

Positioning a product or brand to differentiate it in the minds of target customers can be accomplished in various ways: positioning by attribute or benefit, positioning by quality/price, positioning by use or user, and positioning by competition. In global marketing **global consumer culture positioning (GCCP), foreign consumer culture positioning (FCCP),** and **local consumer culture positioning (LCCP)** are additional strategic options.

discussion questions

1. Identify the five basic segmentation strategies. Give an example of a company that has used each one.
2. Explain the difference between segmenting and targeting.
3. Compare and contrast standardized, concentrated, and differentiated global marketing. Illustrate each strategy with an example from a global company.
4. American Izuzu Motors recently introduced the AXIOM SUV in the United States with a base sticker price of $25,985. The base price for a Honda CRV is $18,750; prices for Toyota's RAV4 start at $16,365. Assess Isuzu's decision to target the U.S. market for sport utility vehicles.
5. What is positioning? Identify the different positioning strategies presented in the chapter and give examples of companies or products that illustrate each.
6. What is global consumer culture positioning (GCCP)? What other strategic positioning choices do global marketers have?
7. What is a high-touch product? Explain the difference between high-tech product positioning and high-touch product positioning. Can some products be positioned using both strategies? Explain.

Case 7-1

Carmakers Target Gen Y

The world's automakers have Generation Y (Gen Y) in their sights. Gen Y is the cohort of 71 million Americans born between 1977 and 1994. As their customer base ages, the automakers want to build brand loyalty among the nation's youth. For example, the average Toyota buyer is 47 years old; for Honda, the figure is 44 years old (Table 1). Moreover, at home in Japan, not only is the population rapidly aging, it is expected to stop growing entirely by 2007. In a reversal of the orthodox notion in some parts of the world that "globalization = Americanization," young American car buyers are equating Japanese-designed cars with coolness.

The trend began in California; the letters *JDM* ("Japanese Domestic Market") are shorthand for car accessories that, due to different regulations, are only available in Japan. Using the Internet, car buffs—many of whom favor the Honda Civic—order turbo chargers and other parts and customize their vehicles. The West coast "tuner" trend gained nationwide traction with the release of the movie *The Fast and the Furious* in 2002.

Honda is targeting Gen Y consumers with the Element, a compact SUV that features dramatic exterior styling, a dash-mounted shifter, and waterproof seat fabric. Launched in 2003, the Element is available in both 2-wheel and 4-wheel drive models. First-year sales exceeded the target of 50,000 units; half the people who bought Elements have never owned a Honda before.

Betting that Gen Y car buyers are ready to try something new, Toyota, Honda, and other companies are using a variety of product strategies. In spring 2003, Honda launched the Element, a boxy sport utility vehicle that is manufactured in the United States. With a base price of $18,300, the vehicle is targeted at 24-year-old males. Toyota responded by launching the Scion xB miniwagon in the United States; the vehicle was already available in Japan, where it is known as a youthmobile.

Table 1 *Average Buyer Age for Select Auto Brands*

Brand	Average Age of Buyer
Toyota	47
Chevrolet	45
Ford	45
Honda	44
Pontiac	44
Mitsubishi	41
Volkswagen	41
Toyota Scion	39

"Somehow the idea got propagated that young people like really weird automobiles and that'll attract young people because they wear their baseball caps backwards and trousers that look like they're about to slip off their butts. Well, they don't. If you go to university campuses in the U.S., I dare say that if you look at the parking lot you'll see a very heavy proportion of BMW 3-series. Now, they're not new 3-series . . . but the aspirational vehicle for them is the BMW 3-series. To sort of give them some goofy-looking contraption and say 'look, we designed this just for you,' that's the kiss of death. My answer is: sell them a three-or four-year-old used car. That's the way it's always been."

Bob Lutz, Vice Chairman, General Motors

Other automakers are sizing up the potential and attractiveness of the Gen Y segment. Hyundai fields Hyundai Investigative Teams (HIT) in an effort to better understand the needs, wants, and preferences of young car buyers. For example, early in 2004, an HIT unit comprised of eight teens, 16 years old to 18 years old, visited the Chicago Motor Show. They spent a day looking at vehicles and provided feedback. Hyundai does not currently target the youth market. However, the company is using HIT to assess the strength of rivals' product offerings. After viewing the Scion xB, one female HIT member described it as, "A clown bus. I laughed when I saw it. *That's* what everyone thinks we'd like?"

"Scion's initial positioning ignored the fact that they were part of Toyota. Toyota now has just about every hold in the market covered."

George Peterson, CEO, AutoPacific

Despite such reactions, the Scion has turned out to be hugely popular with young people. In 2006, Scion easily exceeded its sales goal of 150,000 vehicles; 80 percent of buyers had never purchased a Toyota before. That success prompted management to cap sales at the 150,000 mark in future model years. Executives were also discussing whether to abandon Scion's limited television advertising schedule in favor of event marketing and so-called branded entertainment. Already, the Scion brand has been extended to a music label for emerging artists and a clothing line. In addition, Scion's online presence has been moved from MySpace.com to Second Life. As Mark Templin, vice president of Scion, explained, "Because we no longer have to focus on brand awareness, we can be even more edgy and more risky."

Discussion Questions

1. Why are Japanese automakers targeting Gen Y?
2. Do you think Honda and Toyota are using the right strategy by creating new vehicles such as the Element and the Scion?
3. Do you agree with Toyota's decision to limit the number of Scion vehicles available for sale?

Sources: Bernard Simon, "Scion Brand Greases the Wheels for Toyota," *Financial Times,* April 26, 2006, p. 11; Gina Chon, "A Way Cool Strategy: Toyota's Scion Plans to Sell Fewer Cars," *The Wall Street Journal,* November 10, 2006, pp. B1, B2; Chris Woodyard, "Outside-the-Box Scion Scores with Young Drivers," *USA Today,* May 2, 2005, pp. 1B, 2B; Jeremy Grant, "Carmakers Try to Fathom the Teenage Taste," *Financial Times,* February 10, 2004, p. 10; Jeremy Grant, "In the Driving Seat of a Car Giant: Bob Lutz," *Financial Times,* January 3–4, 2004, p. W3; Sholnn Freeman and Norihiko Shirouzu, "Toyota's Gen Y Gamble," *The Wall Street Journal,* July 30, 2003, p. B1; Micheline Maynard, "Carmakers Design for Generation Y," *The New York Times,* January 16, 2003, pp. C1, C16; Norihiko Shirouzu and Todd Zaun, "Big Wheels: Japan Auto Makers Train Their Sights on the U.S. Again," *The Wall Street Journal,* January 3, 2003, pp. A1, A6; Sholnn Freeman, "New Wheels for Generation Y," *The Wall Street Journal,* January 14, 2002, pp. B1, B3.

Case 7-2

The Youth of the World Proclaim, "We Want Our MTV!"

Janet Jackson's "wardrobe malfunction" during the halftime show of the 2004 Super Bowl caused a worldwide sensation. For better or for worse, MTV, which produced the show, demonstrated that it still had the ability to shake things up. Worldwide, musical tastes and trends have changed significantly since MTV first went on the air in 1981. Few current viewers are likely to remember the Buggles, the British duo whose song "Video Killed the Radio Star" was featured in the first clip aired. In some ways, MTV looks the same in the twenty-first century as it did in the 1980s. Today, however, MTV's reach extends far beyond the United States; Viacom's MTV Networks unit, which also includes VH1, Comedy Central, and Nickelodeon, it comprises the world's largest network with nearly 1 billion viewers in 160 countries.

However, MTV has not prospered by offering the same sights and sounds in every market. Rather, it owes much of its success to the realization that viewer sensibilities and tastes vary on a regional and country-by-country basis. MTV carefully researches those sensibilities and tastes, and then caters to them. MTV is especially popular with persons 15 years old to 34 years old, with 15 year olds to 24 year olds—a pure youth audience, as executives proudly note—as the core consumer. MTV executives are quick to point out that the channel's programming is extremely audience driven; shows like *Total Request Live* (*TRL*) allow the channel to stay close to its viewing audience.

Nigerian singer Tuface performed in Johannesburg for the launch of MTV Base. MTV executive Bill Roedy expects that some local artists featured on the channel will achieve broader global recognition. Roedy said, "We are looking to Africa to be a huge contributor. It is going to enrich our channels around the world. We work very hard to develop local artists. It is something we passionately believe in."

Within six years of its launch, MTV had penetrated some 50 million U.S. households, virtually the entire domestic cable audience at the time. Having conquered America, and with support from youth-oriented advertisers such as Coca-Cola, Levi's, and Nike, MTV Europe was launched in Rotterdam in 1987. Today, MTV has 16 local feeds in Europe with coverage stretching from Ireland to Russia. The local feeds are important because as much as 70 percent of revenues come from advertisers in local markets. One driver of local ad revenues is MTV's commitment to introducing its viewers to local music groups. Despite its sensitivity to local preferences, however, executives and producers still seek economies. As Bill Roedy, president of MTV Networks International, told *Billboard* magazine in 2000, "MTV looks for format opportunities to make content from one area travel to another with a local look and feel."

The blend of global and local elements in proportions that reflect local preferences is especially clear in Asia. When MTV first entered Japan in 1992, it was met with limited success because a licensing agreement with several electronics manufacturers restricted the control that channel executives had over content; the result was an overemphasis on international pop music that was out of sync with viewers. MTV Japan was relaunched with an emphasis on extensive audience research and a new focus on local music and artists.

Today, MTV Asia reaches 125 million households and is comprised of seven channels: Japan, Taiwan, Hong Kong, China, Korea, MTV India, and MTV Southeast Asia (with English-language local feeds for Singapore, Indonesia, Malaysia, Thailand, and the Philippines). In India, the channel presents itself as zany, colorful, and light-hearted. For example, comedian Cyrus Barocha hosts a show called *MTV Bakra* that plays hidden camera pranks on unsuspecting victims. Programming in Taiwan, by contrast, is similar to that in the United States: edgy and in your face. Overall, MTV Mandarin's playlist contains about 80 percent local music, while MTV Philippines features predominantly international artists.

In 2003, Roedy unveiled a new "gain market scale" strategy. As he noted, "We've built up a big infrastructure. It's now time to leverage our resources and develop programming that can cross borders, regions, and even go global." New programming can cost between $200,000 and $350,000 per 30-minute episode; Roedy hopes to develop shows that will have appeal no matter where the viewers live.

Meanwhile, the global media landscape was rapidly changing. New media forms, including MySpace, YouTube, Facebook, and numerous other Web sites featuring user-generated content, had burst onto the scene. The youth market was fragmenting as consumers downloaded and shared videos and other content using computers, cell phones, and portable music players. In 2005, News Corporation paid $580 million MySpace; Google acquired YouTube for $1.65 billion. Thanks to new corporate owners with deep pockets, the upstarts were going global in a hurry. For example, MySpace rolled out customized sites in the United Kingdom, Ireland, Australia, Germany, France, and Japan.

In 2006, Viacom Executive Chairman Sumner Redstone fired CEO and president Tom Freston; Redstone believed Freston had not done moved aggressively enough to acquire MySpace or a similar hot new media property. Now, as MTV retrenches, Mika Salmi, president of global media at MTV Networks, is confident that his company can reinvent itself. He says, "We have an incredible reach across multiple platforms. We want to go deeper, people want more targeted programming."

Despite such pronouncements, some industry observers question whether MTV can create its own must-have digital content. As media analyst Kaan Yigit put it, "The analogy is the Gap. Both are really Gen X brands with their heyday behind them. . . . They are iconic, well-known, well-liked and respected for their past significance but not central to our culture anymore."

Discussion Questions

1. Describe MTV's global marketing strategy.
2. What are some of the pitfalls of targeting the global youth segment?
3. MTV's original success was based on its reputation as a trendsetting in music and video. How can the company reposition itself in today's new media environment?
4. How can MTV develop a digital strategy that will maintain viewer loyalty and ensure a strong brand presence on the Internet?

Sources: Tim Burt, "Veteran Leads MTV's Attack," *Financial Times*, August 12, 2003, p. 6; Charles Goldsmith, "MTV Seeks Global Appeal," *The Wall Street Journal*, January 21, 2003, pp. B1, B3; Anne-Marie Crawford, "MTV: Out of Its Teens," *Ad Age Global* 1, no. 9 (May 2001), pp. 25–26; Magz Osborne, "Second Chance in Japan," *Ad Age Global* 1, no. 9 (May 2001), pp. 26, 28; Claudia Penteado, "MTV Brazil Wins Success with Local Programming, " *Ad Age Global* 1, no. 9 (May 2001), p. 29; Mimi Turner, "A Q&A with Bill Roedy," *Billboard* 112 no. 36 (September 2, 2000), pp. 48, 54; Owen Hughes, "MTV Asia's Five Branches," *Billboard* 112, no. 36 (September 2, 2000), pp. 48, 54; Sally Beatty and Carol Hymowitz, "How MTV Stays Tuned In to Teens," *The Wall Street Journal*, March 21, 2000, pp. B1, B4.