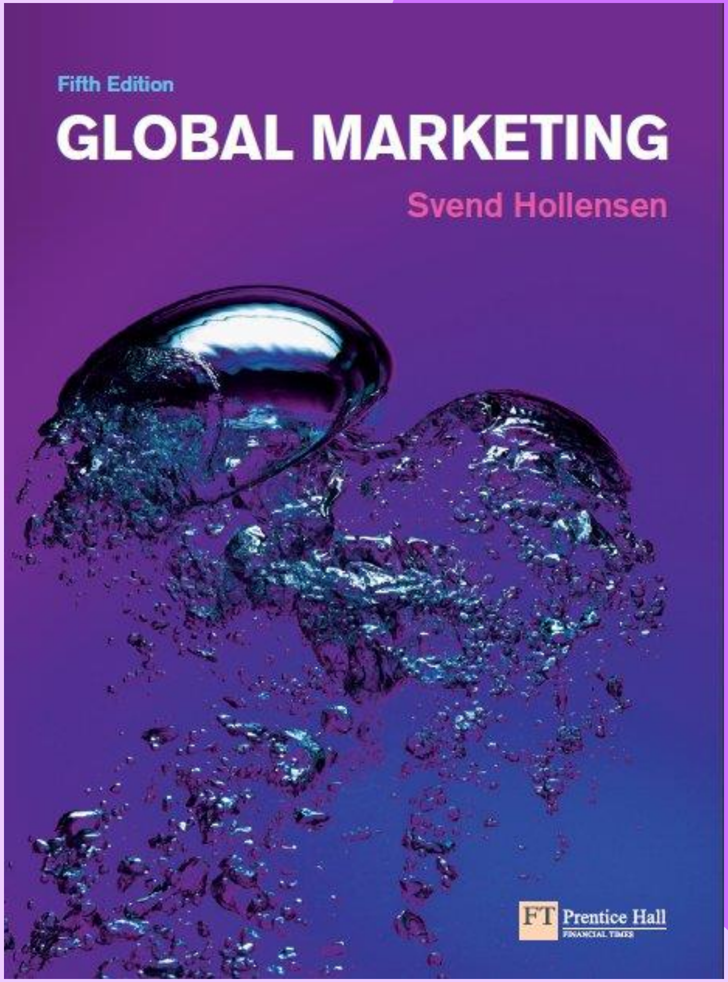


Svend Hollensen

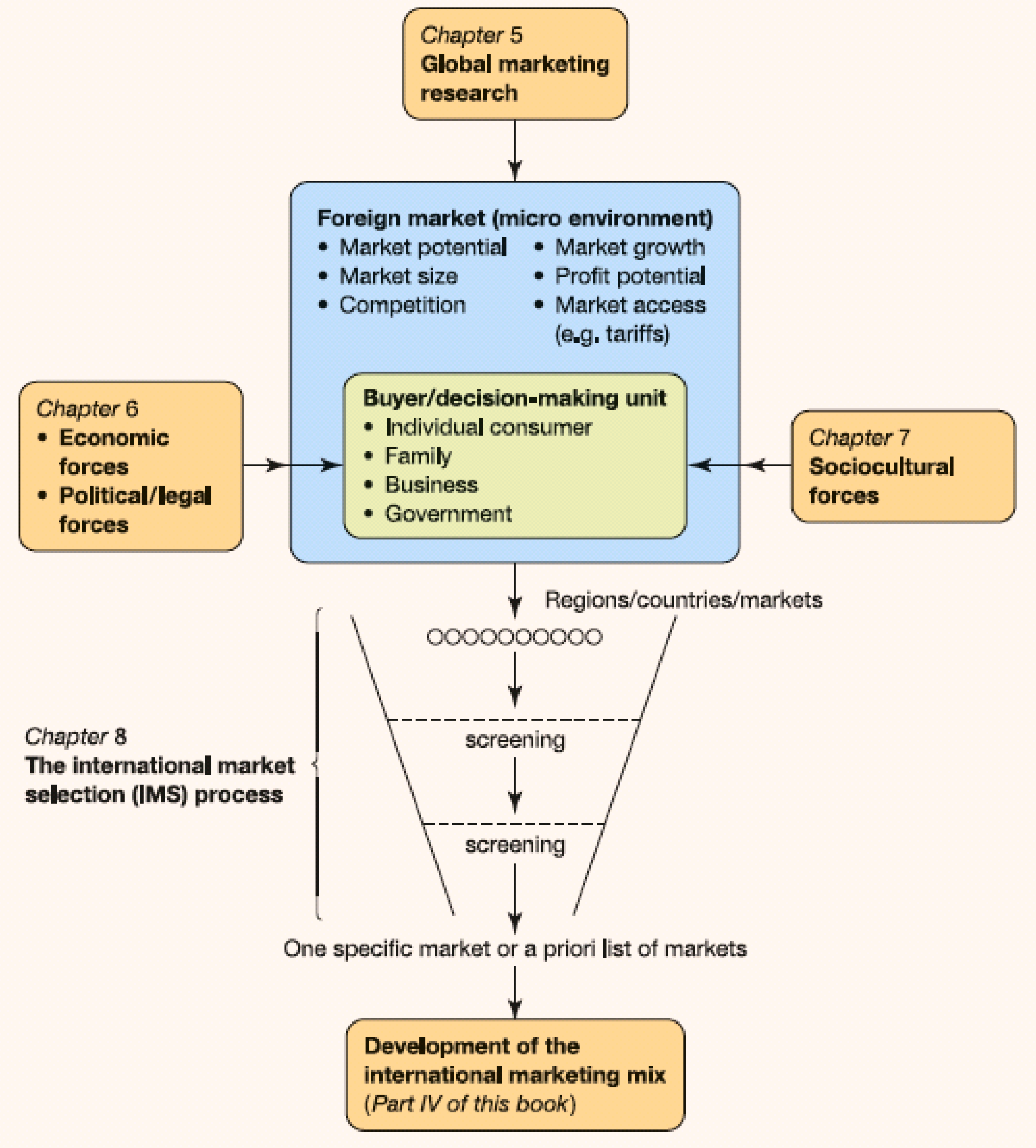
GLOBAL MARKETING

5th Edition

Introduction Part II and Chapter 5 Global marketing research

PART II

Deciding which markets to enter



Chapter 5
Global marketing research

Foreign market (micro environment)
- Market potential
- Market size
- Competition
- Market growth
- Profit potential
- Market access (e.g. tariffs)

Buyer/decision-making unit
- Individual consumer
- Family
- Business
- Government

Chapter 6
- **Economic forces**
- **Political/legal forces**

Chapter 7
Sociocultural forces

Regions/countries/markets

OOOOOOOOOO

screening

screening

Chapter 8
The international market selection (IMS) process

One specific market or a priori list of markets

Development of the international marketing mix
(*Part IV of this book*)

Figure II.1 The structure and process of Part II

CHAPTER 5

Global marketing research

Learning objectives (1)

- Explain the importance of having a carefully designed international information system
- Link global marketing research to the decision-making process
- Discuss the key problems in gathering and using international market data

Learning objectives (2)

- Distinguish between different research approaches, data sources and data types
- Discuss opportunities and problems with qualitative market research methods
- Understand how online surveys are carried out
- Understand the relevance of the World Wide Web as an important data source in global marketing research

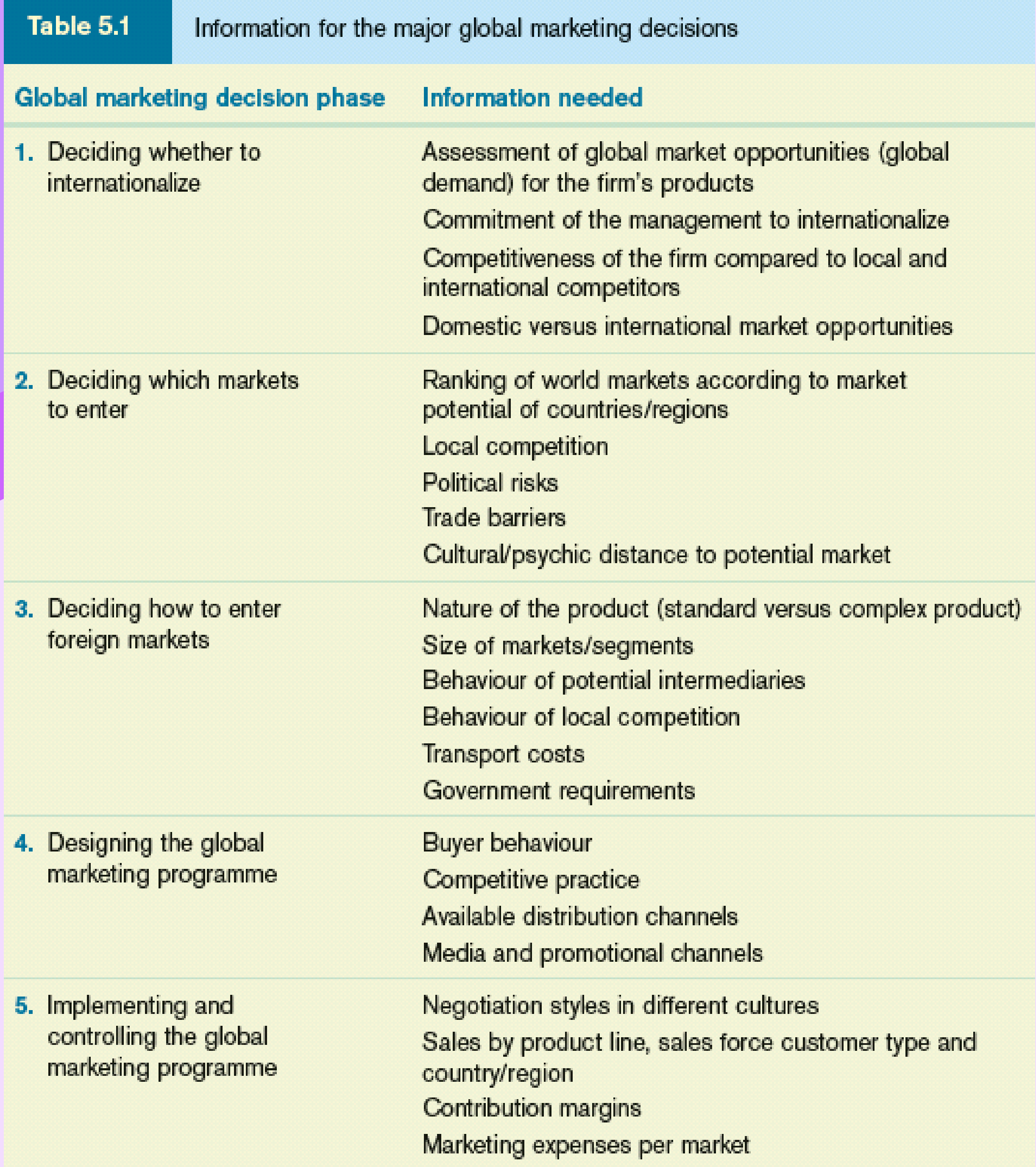
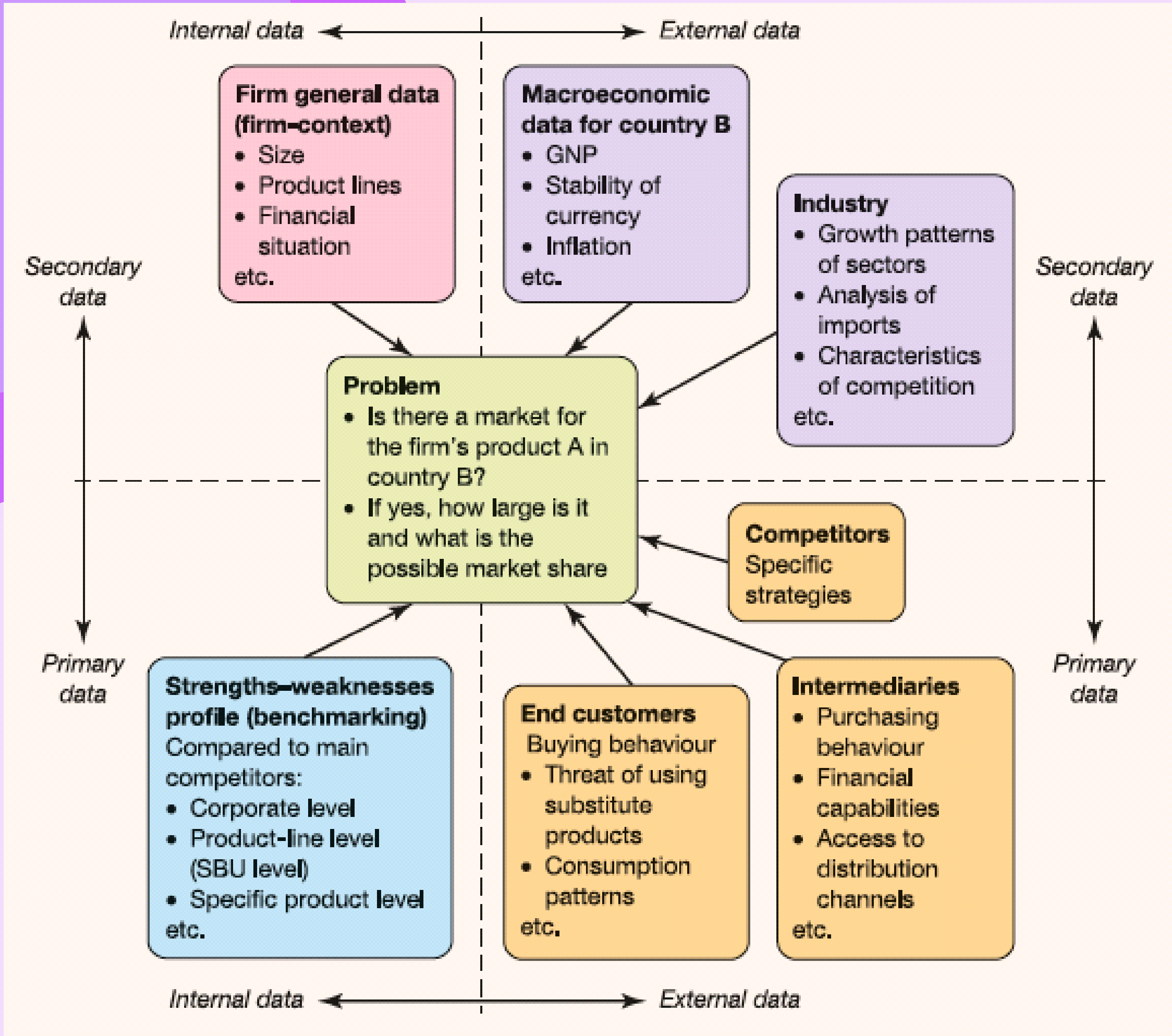


Table 5.1 Information for the major global marketing decisions

Global marketing decision phase	Information needed
1. Deciding whether to internationalize	Assessment of global market opportunities (global demand) for the firm's products Commitment of the management to internationalize Competitiveness of the firm compared to local and international competitors Domestic versus international market opportunities
2. Deciding which markets to enter	Ranking of world markets according to market potential of countries/regions Local competition Political risks Trade barriers Cultural/psychic distance to potential market
3. Deciding how to enter foreign markets	Nature of the product (standard versus complex product) Size of markets/segments Behaviour of potential intermediaries Behaviour of local competition Transport costs Government requirements
4. Designing the global marketing programme	Buyer behaviour Competitive practice Available distribution channels Media and promotional channels
5. Implementing and controlling the global marketing programme	Negotiation styles in different cultures Sales by product line, sales force customer type and country/region Contribution margins Marketing expenses per market



Internal data ← → *External data*

Secondary data ↕ *Primary data*

Firm general data (firm-context)
- Size
- Product lines
- Financial situation

etc.

Macroeconomic data for country B
- GNP
- Stability of currency
- Inflation

etc.

Industry
- Growth patterns of sectors
- Analysis of imports
- Characteristics of competition

etc.

Problem
- Is there a market for the firm's product A in country B?
- If yes, how large is it and what is the possible market share

Competitors
Specific strategies

Strengths–weaknesses profile (benchmarking)
Compared to main competitors:
- Corporate level
- Product-line level (SBU level)
- Specific product level

etc.

End customers
Buying behaviour
- Threat of using substitute products
- Consumption patterns

etc.

Intermediaries
- Purchasing behaviour
- Financial capabilities
- Access to distribution channels

etc.

Figure 5.1 Categorization of data for assessment of market potential in a country

What is this?

Information that is collected first-hand, generated by original research tailor-made to answer specific research questions is known as ______.

Primary data

What is this?

Information that has already been collected for other purposes and thus is readily available is known as ______.

Secondary data

Secondary research

Advantages

- Less expensive
- Less time-consuming
- Low level of commitment
- No constraints by overseas customs
- Speed

Disadvantages

- Non-availability of data
- Reliability of data
- Data classification
- Comparability of data
- Data privacy concerns

Questions to ask when judging the reliability of data sources

- Who collected the data?
- Would there be any reason to purposely misrepresent the facts?
- For what purpose was the data collected?
- How was the data collected (methodology)?
- Are the data internally consistent and logical in the light of known data sources or market factors?

Internal data sources

- Total sales
- Sales by country
- Sales by products
- Sales volume by market segment
- Sales volume by type of channel distribution
- Pricing information
- Communication mix information
- Sales representatives' records and reports

External data sources

Library resources

Electronic databases

Internet

What is this?

What term is used to refer to the technique which uses time-series data from one country to project sales in other countries?

Lead-lag analysis

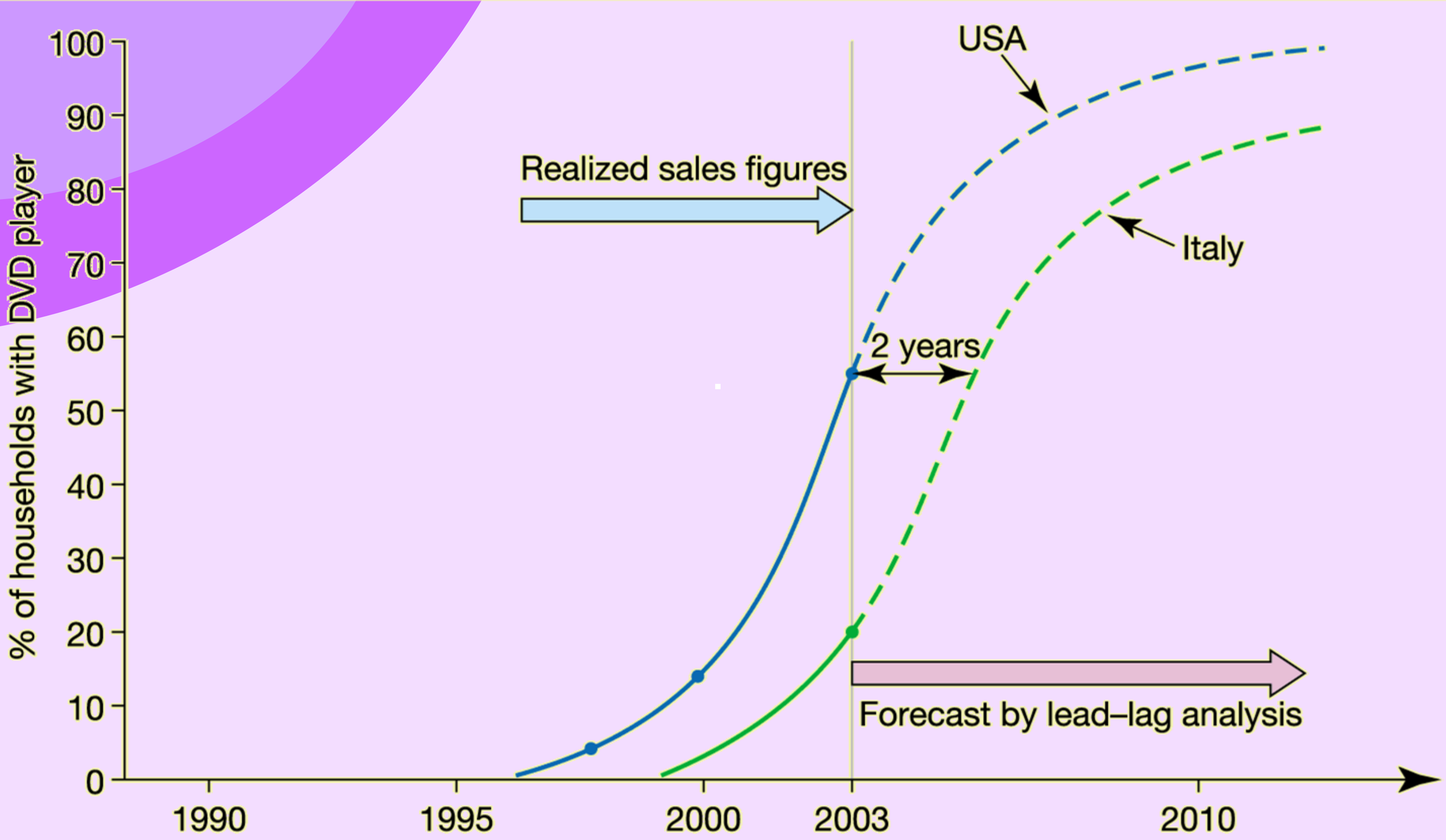


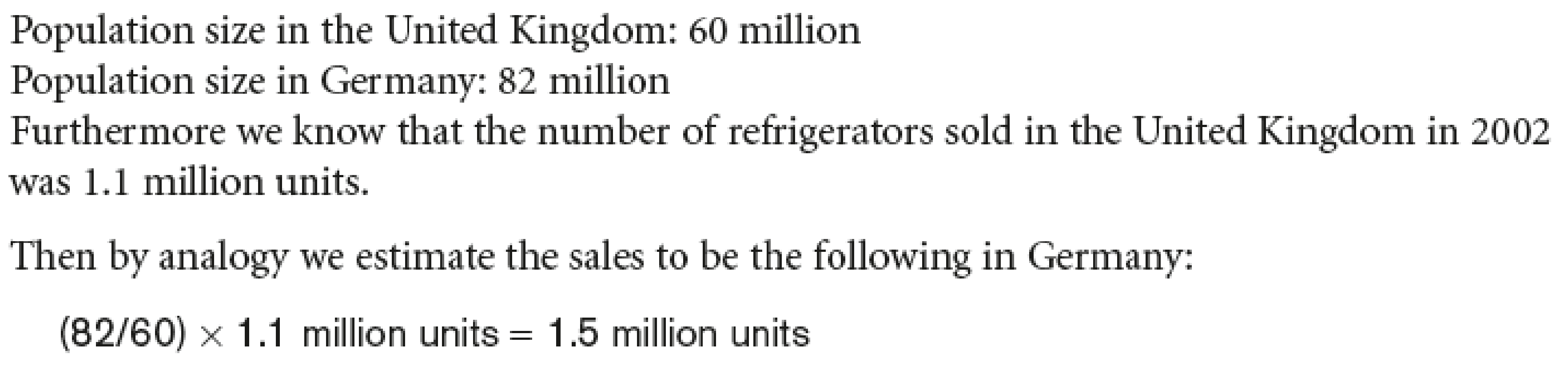
Figure 5.2 Lead–lag analysis of penetration of DVDs (digital versatile discs) in the USA and Italy (illustrative examples)

What is this?

What term is used to refer to the technique for estimating demand in another country market based on a single-factor index with a correlation value between a factor and demand for a product that is obtained in one country and applied to a target international market?

Estimation by analogy

Estimation by analogy – an example



Population size in the United Kingdom: 60 million
Population size in Germany: 82 million
Furthermore we know that the number of refrigerators sold in the United Kingdom in 2002 was 1.1 million units.

Then by analogy we estimate the sales to be the following in Germany:

$$(82/60) \times 1.1 \text{ million units} = 1.5 \text{ million units}$$

Forms of primary research

- **Quantitative research** is data analysis based on questionnaires from a large group of respondents
- **Qualitative research** provides a holistic view of a research problem by integrating a larger number of variables, but asking only a few respondents

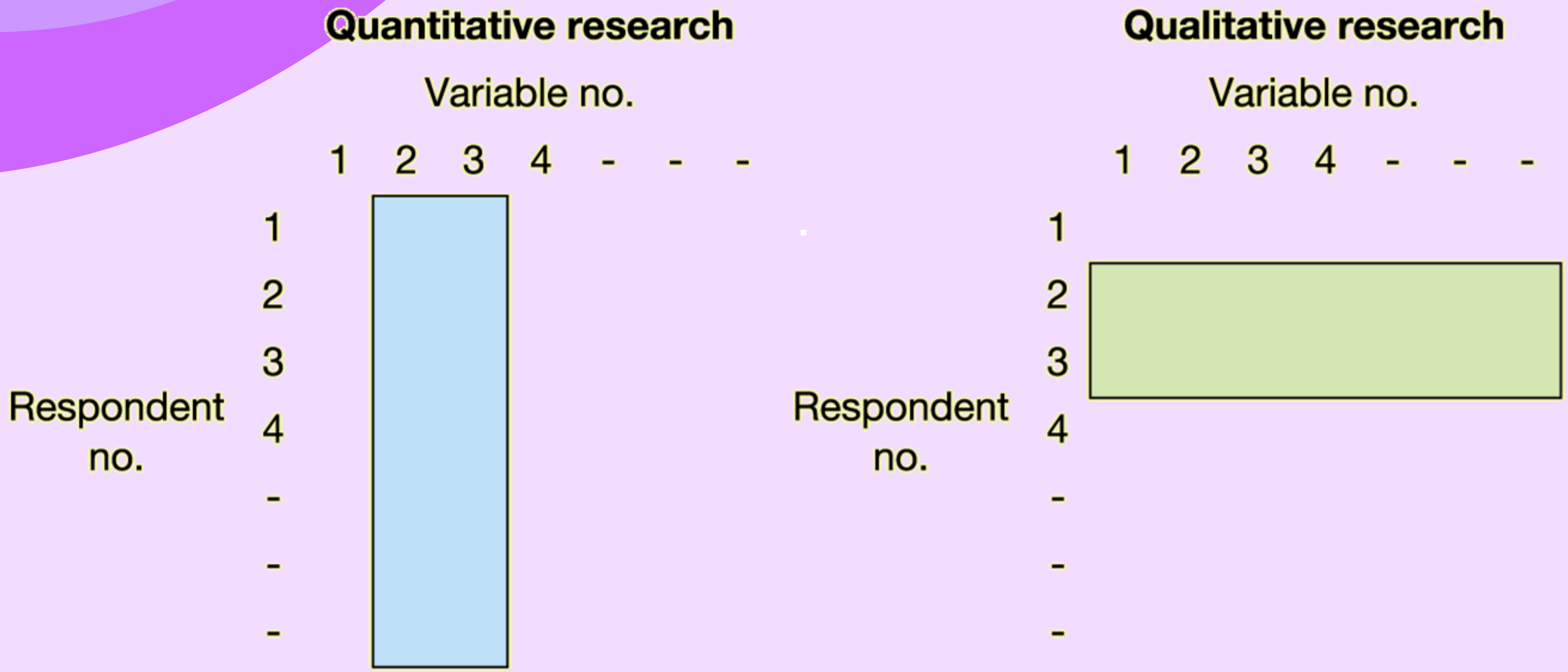


Figure 5.3 The trade-off in the choice between quantitative and qualitative research

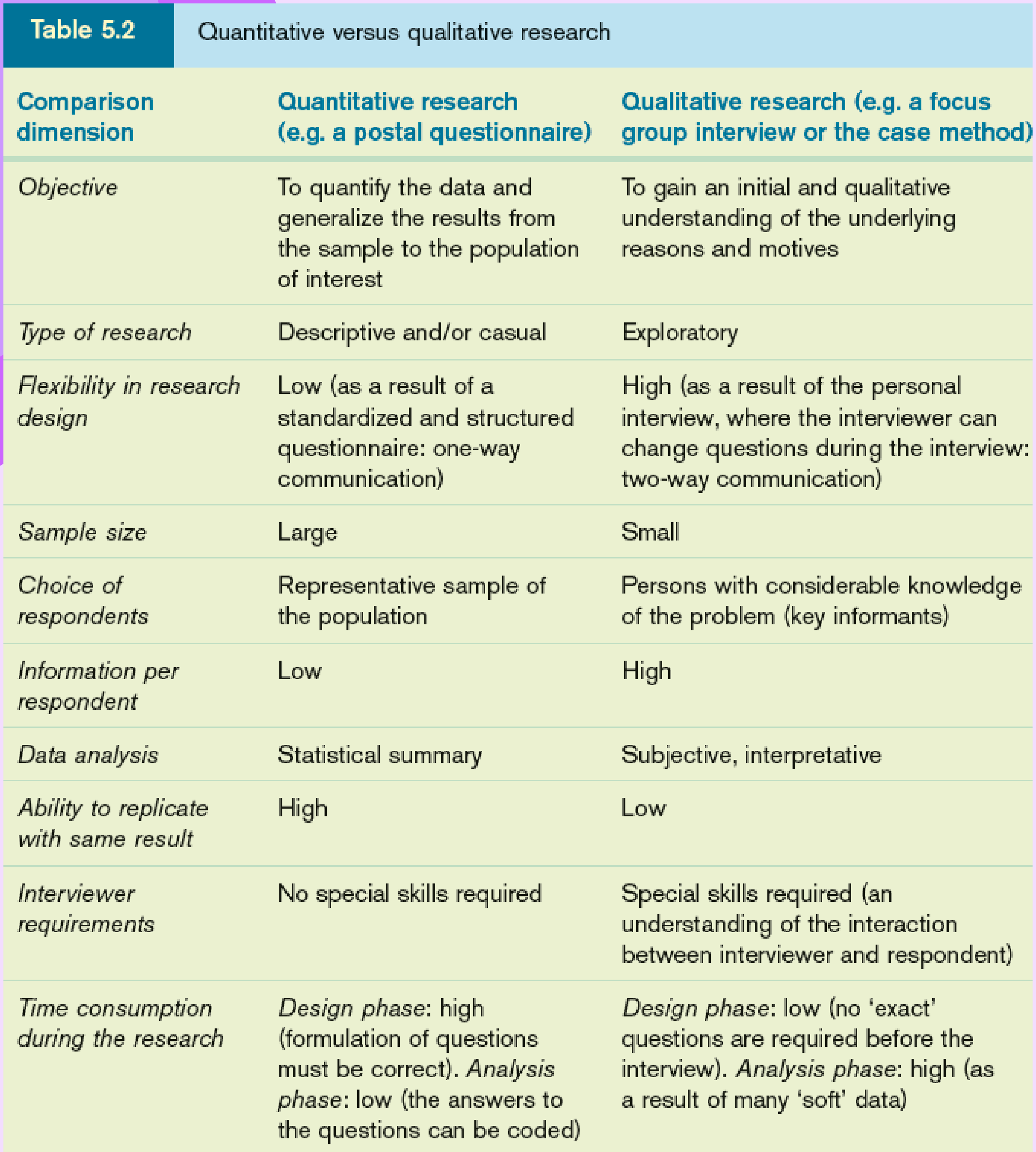


Table 5.2 Quantitative versus qualitative research

Comparison dimension	Quantitative research (e.g. a postal questionnaire)	Qualitative research (e.g. a focus group interview or the case method)
Objective	To quantify the data and generalize the results from the sample to the population of interest	To gain an initial and qualitative understanding of the underlying reasons and motives
Type of research	Descriptive and/or casual	Exploratory
Flexibility in research design	Low (as a result of a standardized and structured questionnaire: one-way communication)	High (as a result of the personal interview, where the interviewer can change questions during the interview: two-way communication)
Sample size	Large	Small
Choice of respondents	Representative sample of the population	Persons with considerable knowledge of the problem (key informants)
Information per respondent	Low	High
Data analysis	Statistical summary	Subjective, interpretative
Ability to replicate with same result	High	Low
Interviewer requirements	No special skills required	Special skills required (an understanding of the interaction between interviewer and respondent)
Time consumption during the research	*Design phase*: high (formulation of questions must be correct). *Analysis phase*: low (the answers to the questions can be coded)	*Design phase*: low (no 'exact' questions are required before the interview). *Analysis phase*: high (as a result of many 'soft' data)

Research approaches

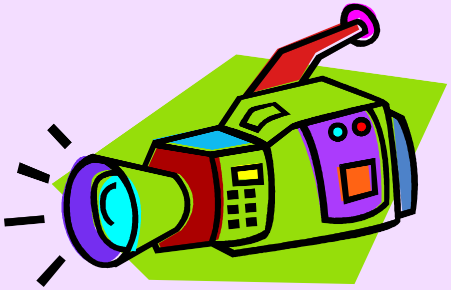
- Observation
- Surveys
- Experiments

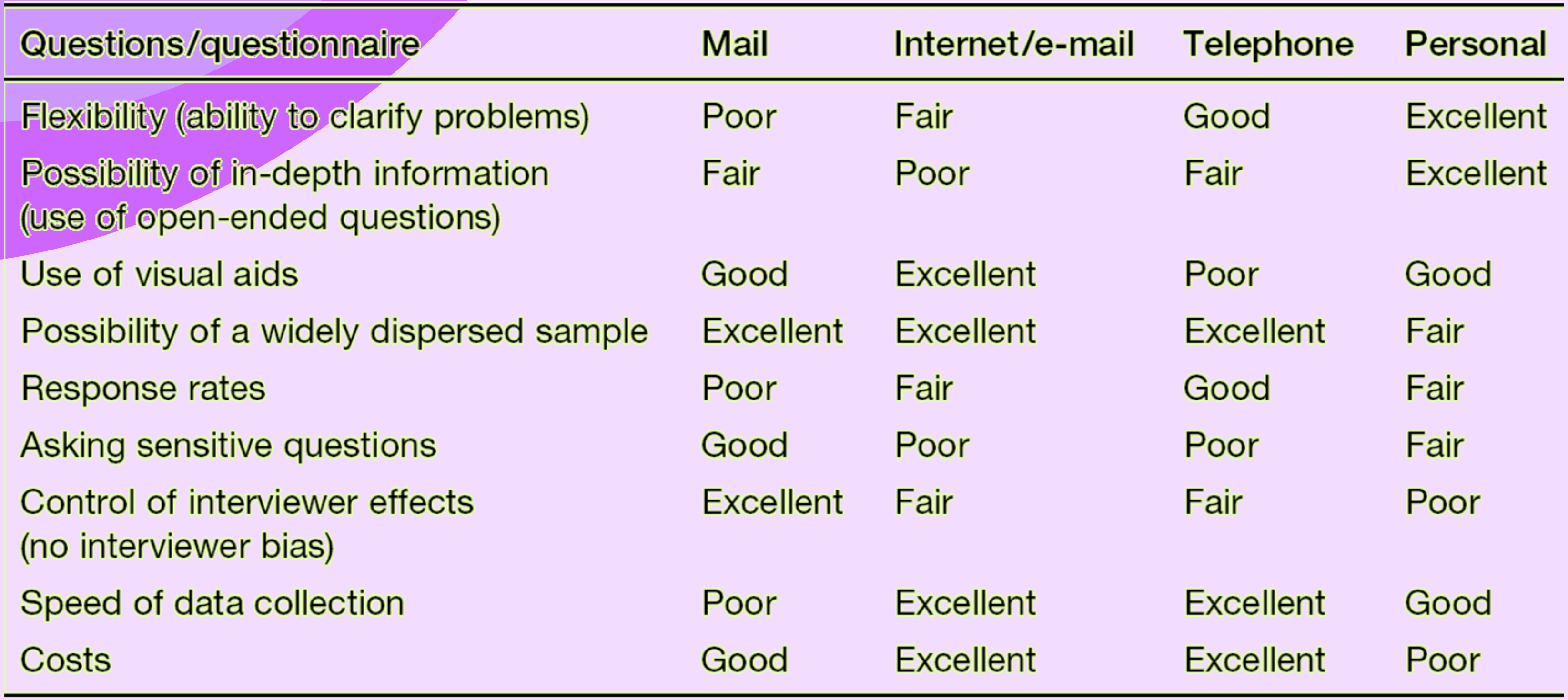
Contact methods

Mail/Internet

Telephone

Personal





Questions/questionnaire	Mail	Internet/e-mail	Telephone	Personal
Flexibility (ability to clarify problems)	Poor	Fair	Good	Excellent
Possibility of in-depth information (use of open-ended questions)	Fair	Poor	Fair	Excellent
Use of visual aids	Good	Excellent	Poor	Good
Possibility of a widely dispersed sample	Excellent	Excellent	Excellent	Fair
Response rates	Poor	Fair	Good	Fair
Asking sensitive questions	Good	Poor	Poor	Fair
Control of interviewer effects (no interviewer bias)	Excellent	Fair	Fair	Poor
Speed of data collection	Poor	Excellent	Excellent	Good
Costs	Good	Excellent	Excellent	Poor

Table 5.3 Strengths and weaknesses of the four contact methods

What is this?

What term refers to a scheme which outlines the group to be surveyed in a marketing research study, including how many individuals will be chosen, and on what basis this choice is made?

Sampling plan

Sampling procedures

Probability sampling

Non-probability sampling

Why use non-probability samples in marketing research?

- Less expensive than probability samples
- Appropriate when accuracy is not critical
- Faster to collect data
- Can be reasonably representative

Methods for determining sample size

- Traditional statistical techniques
- Budget available
- Rules of thumb
- Number of subgroups

Guidelines for formulating questions

- The wording must be clear
- Select words so as to avoid biasing the respondent
- Consider the ability of the respondent to answer the question
- Consider the willingness of the respondent to answer the question

Problems with using primary research

- Limited ability to draw probability samples
- Non-response (and the potential for non-response bias)
- Language barriers

What is this?

What term is used to refer to the consistency of results over several measurements?

Reliability

What is this?

If a measurement method measures what it is supposed to measure, it is said to possess high _____.

Validity

Types of validity

- Construct
- Internal
- External

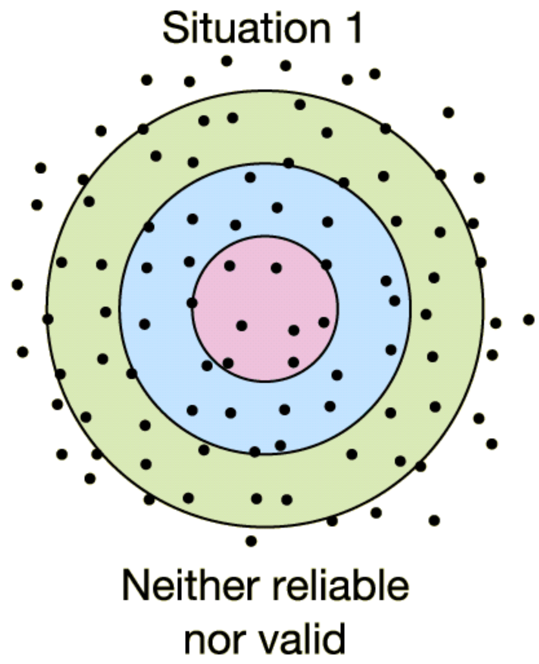

Situation 1
Situation 2
Situation 3
Neither reliable nor valid
Highly reliable but not valid
Highly reliable and valid

Figure 5.5 Illustrations of possible reliability and validity situations in measurement

Source: McDaniel and Gates, (2007, p. 283)

Online surveys

Advantages

- Low financial resource implications
- Short response time
- Saving time with data collection and analysis
- Visual stimuli can be evaluated

Disadvantages

- Respondents have no physical address
- Difficult to guard respondent anonymity
- Technical issues like speed of download may arise

Other types of marketing research

- Ad hoc research
- Continuous research
- Sales forecasting
- Scenario planning

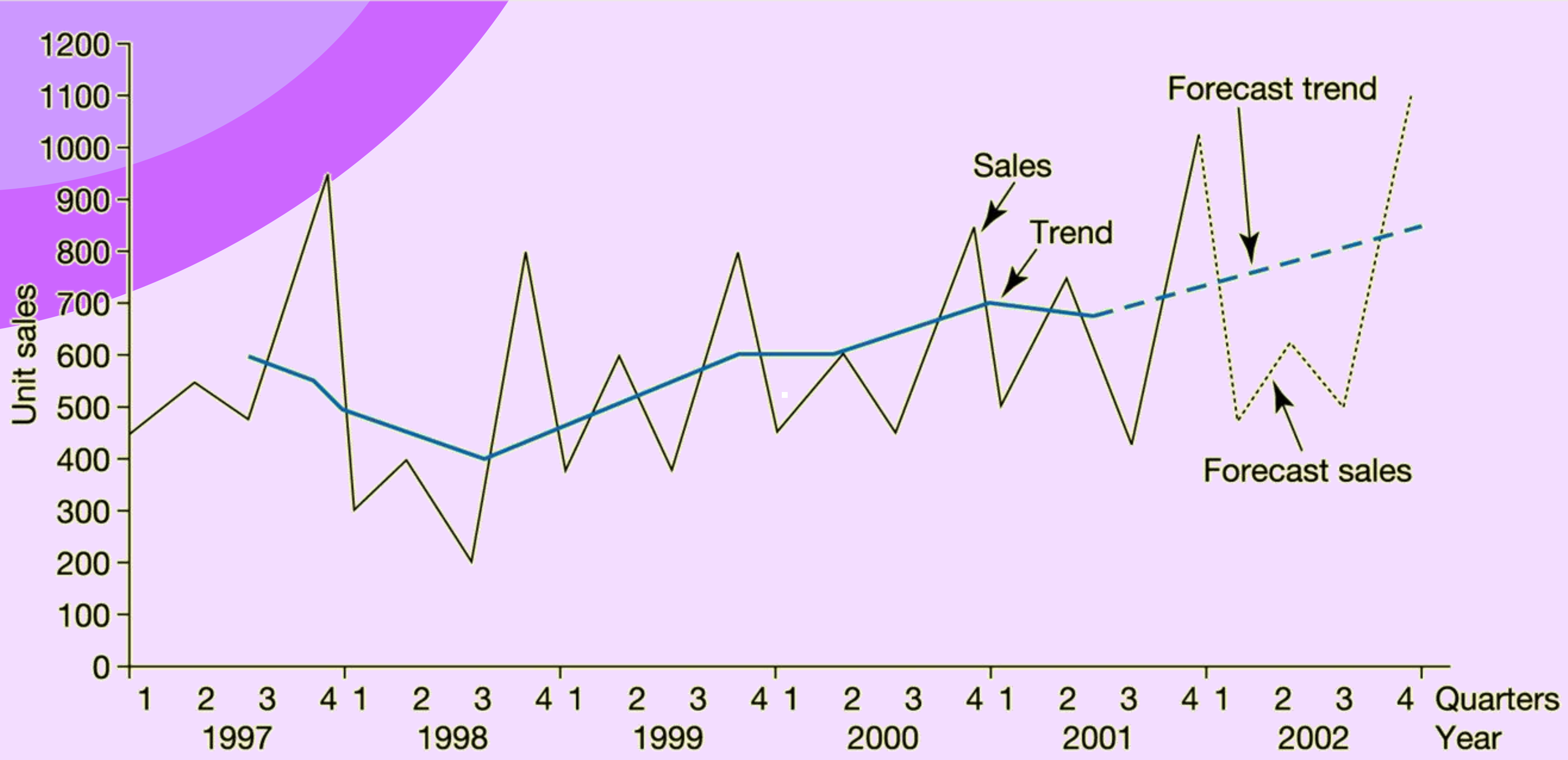


Figure 5.6 An example of trend forecasting

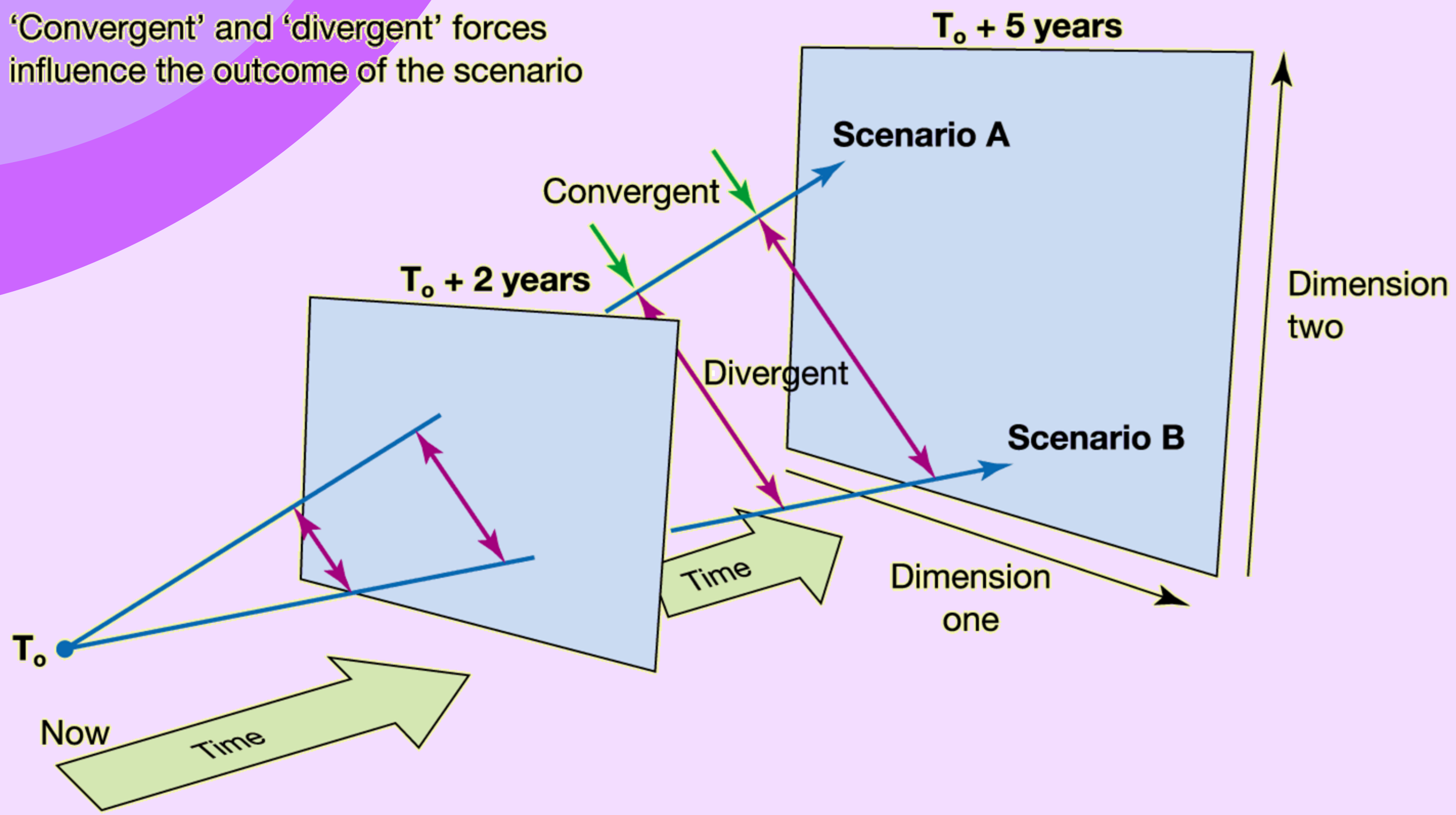


Figure 5.7 Development of scenarios A and B over time

What is this?

Stories about plausible alternative futures are called _____.

Scenarios

What is this?

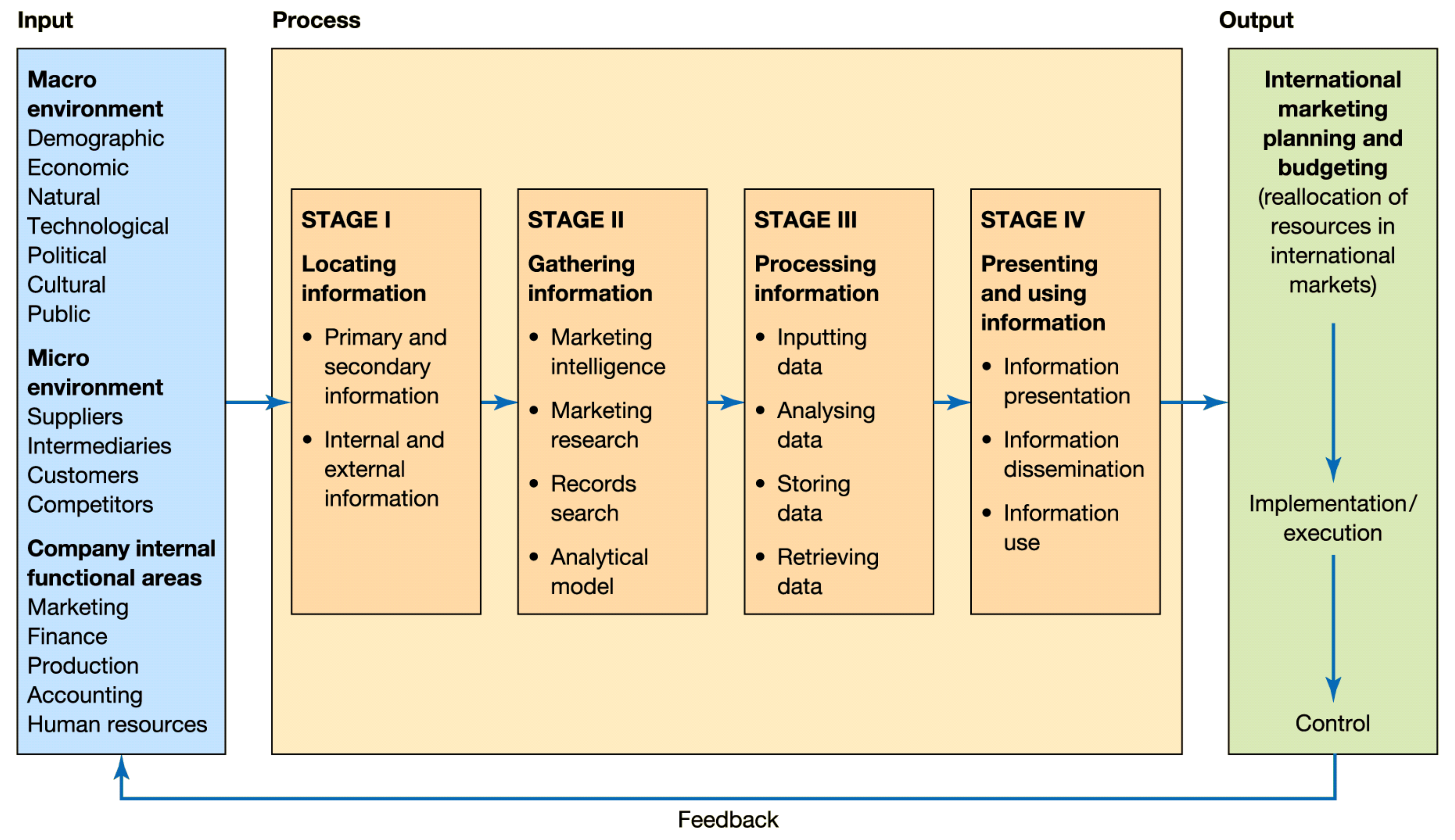
Factors that drive developments in the same direction are called ____, while factors which drive developments apart from each other are called _____.

Convergent forces;

Divergent forces

International MIS

An **international marketing information system** is an interacting organization of people, systems and processes devised to create a regular, continuous and orderly flow of information essential to the marketer’s problem-solving and decision-making activities.



Input

Macro environment
Demographic
Economic
Natural
Technological
Political
Cultural
Public

Micro environment
Suppliers
Intermediaries
Customers
Competitors

Company internal functional areas
Marketing
Finance
Production
Accounting
Human resources

Process

STAGE I

Locating information
- Primary and secondary information
- Internal and external information

STAGE II

Gathering information
- Marketing intelligence
- Marketing research
- Records search
- Analytical model

STAGE III

Processing information
- Inputting data
- Analysing data
- Storing data
- Retrieving data

STAGE IV

Presenting and using information
- Information presentation
- Information dissemination
- Information use

Output

International marketing planning and budgeting
(reallocation of resources in international markets)

Implementation/execution

Control

Feedback

Figure 5.8 International marketing information system

Source: Schmidt and Hollensen (2006), p. 587

CASE STUDY 5.1

Teepack Spezialmaschinen GmbH: organizing a global survey of customer satisfaction

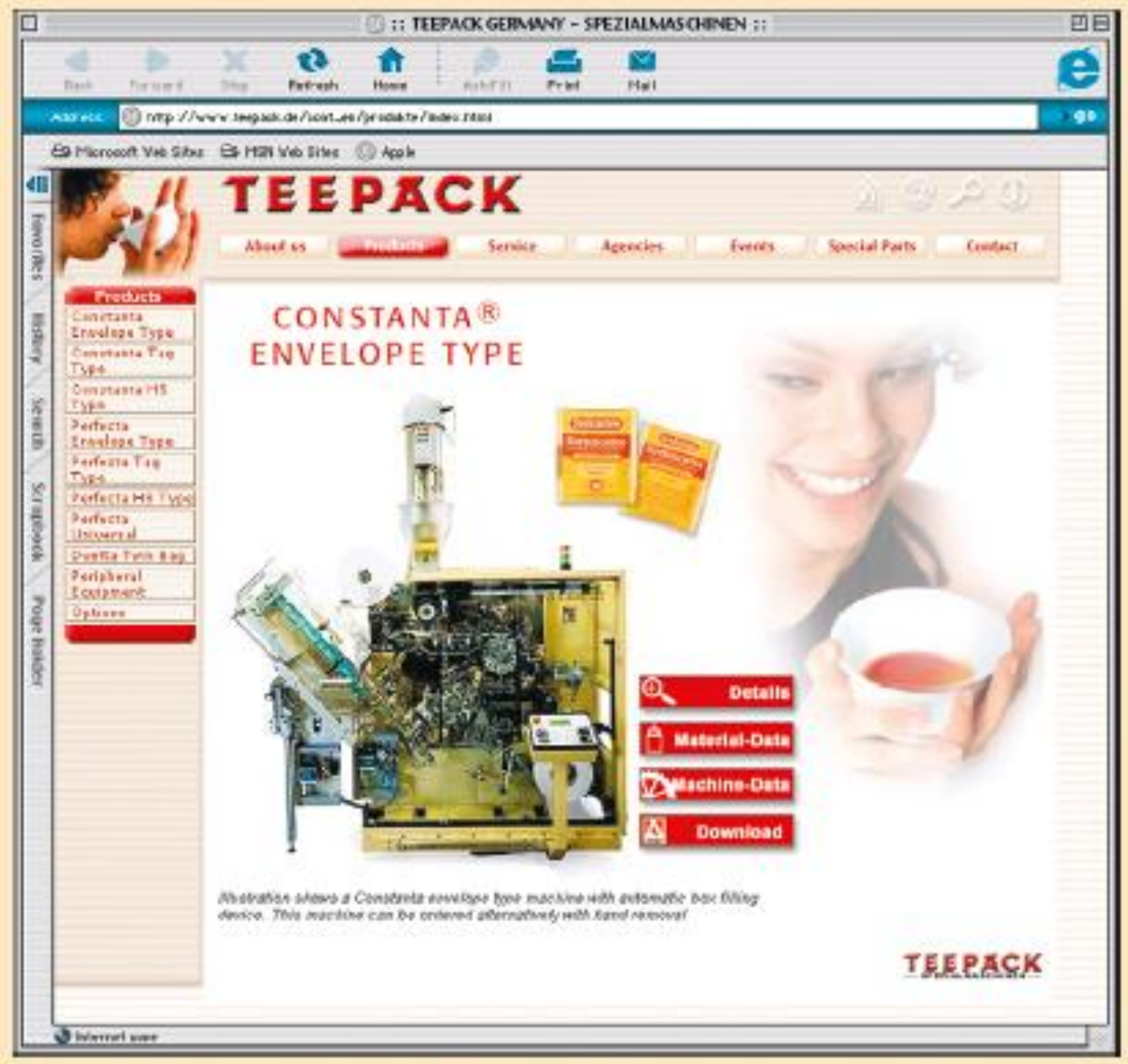
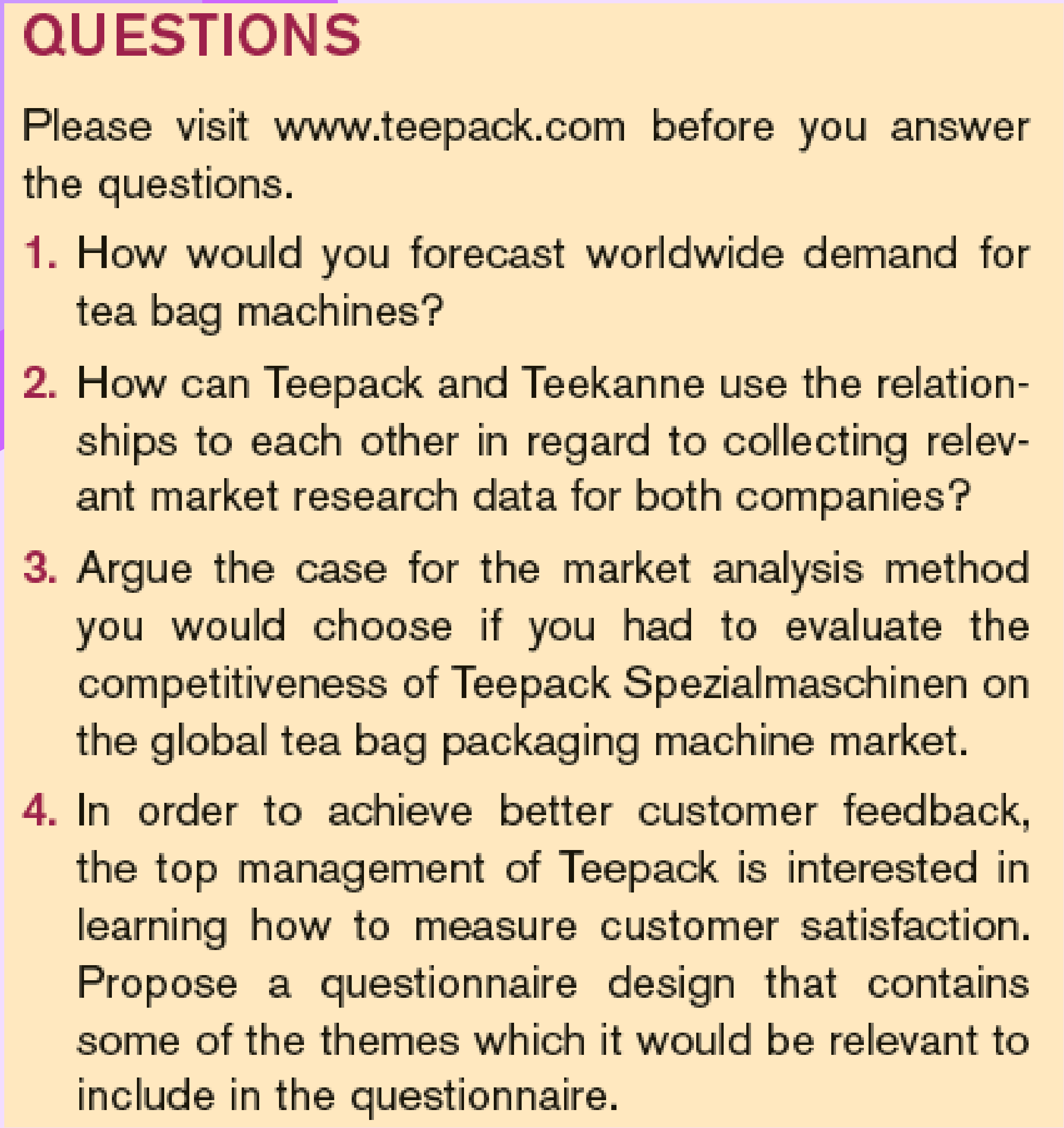


Illustration shows a Constanta envelope type machine with automatic box filling device. This machine can be ordered alternatively with hand removal



QUESTIONS

Please visit www.teepack.com before you answer the questions.

1. How would you forecast worldwide demand for tea bag machines?
2. How can Teepack and Teekanne use the relationships to each other in regard to collecting relevant market research data for both companies?
3. Argue the case for the market analysis method you would choose if you had to evaluate the competitiveness of Teepack Spezialmaschinen on the global tea bag packaging machine market.
4. In order to achieve better customer feedback, the top management of Teepack is interested in learning how to measure customer satisfaction. Propose a questionnaire design that contains some of the themes which it would be relevant to include in the questionnaire.

CASE STUDY 5.2

Tchibo: expanding the coffee shops' business system In Eastern Europe

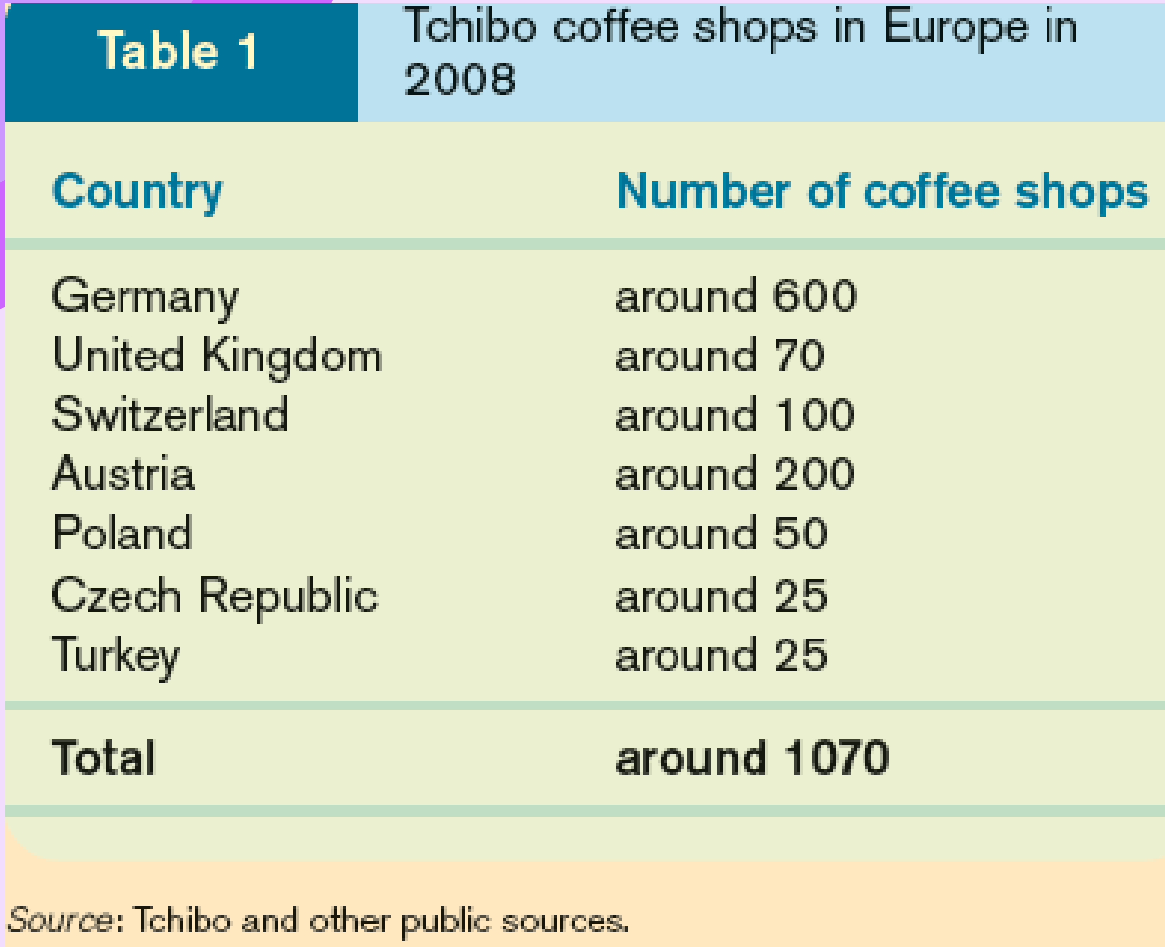
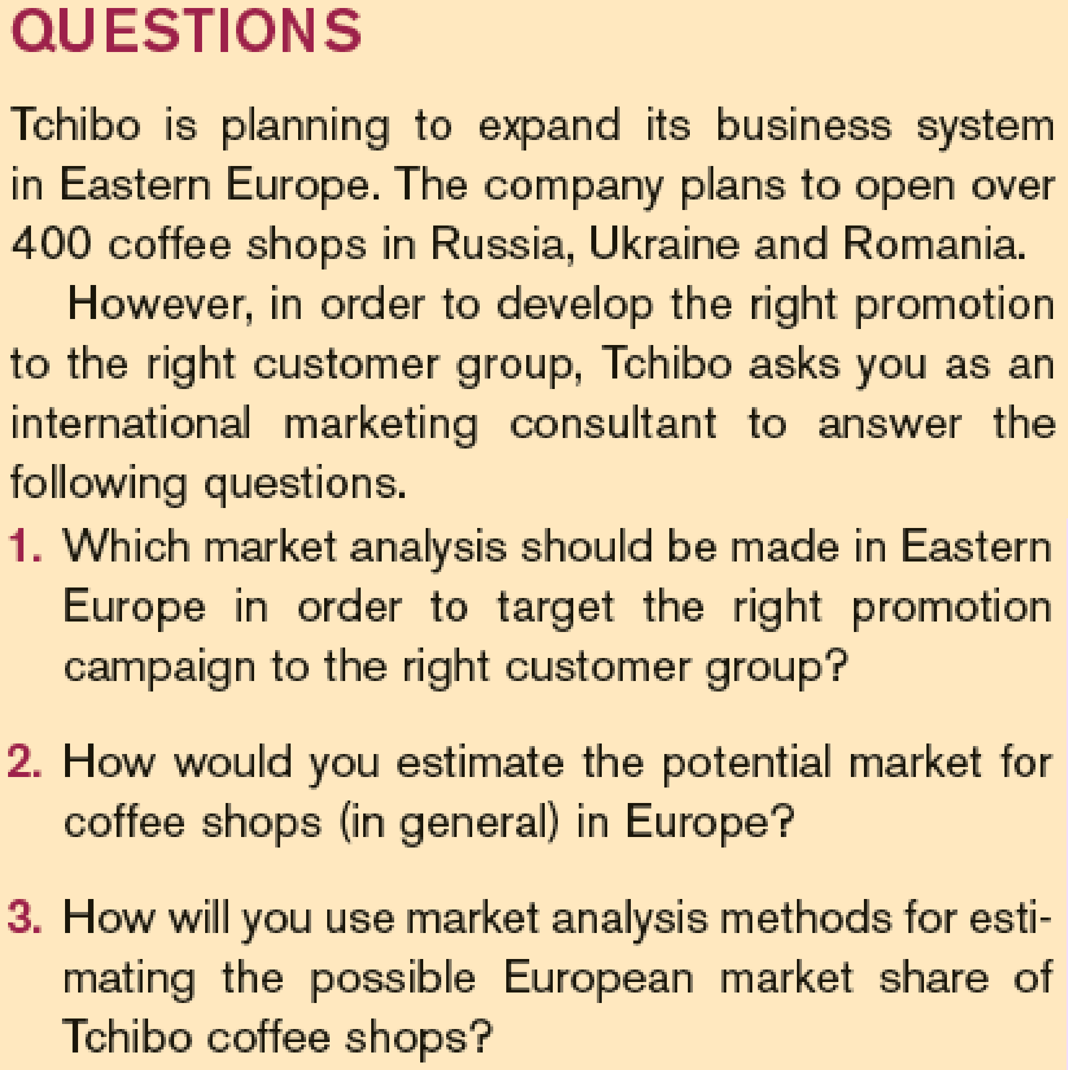


Table 1 Tchibo coffee shops in Europe in 2008

Country	Number of coffee shops
Germany	around 600
United Kingdom	around 70
Switzerland	around 100
Austria	around 200
Poland	around 50
Czech Republic	around 25
Turkey	around 25
Total	**around 1070**

Source: Tchibo and other public sources.



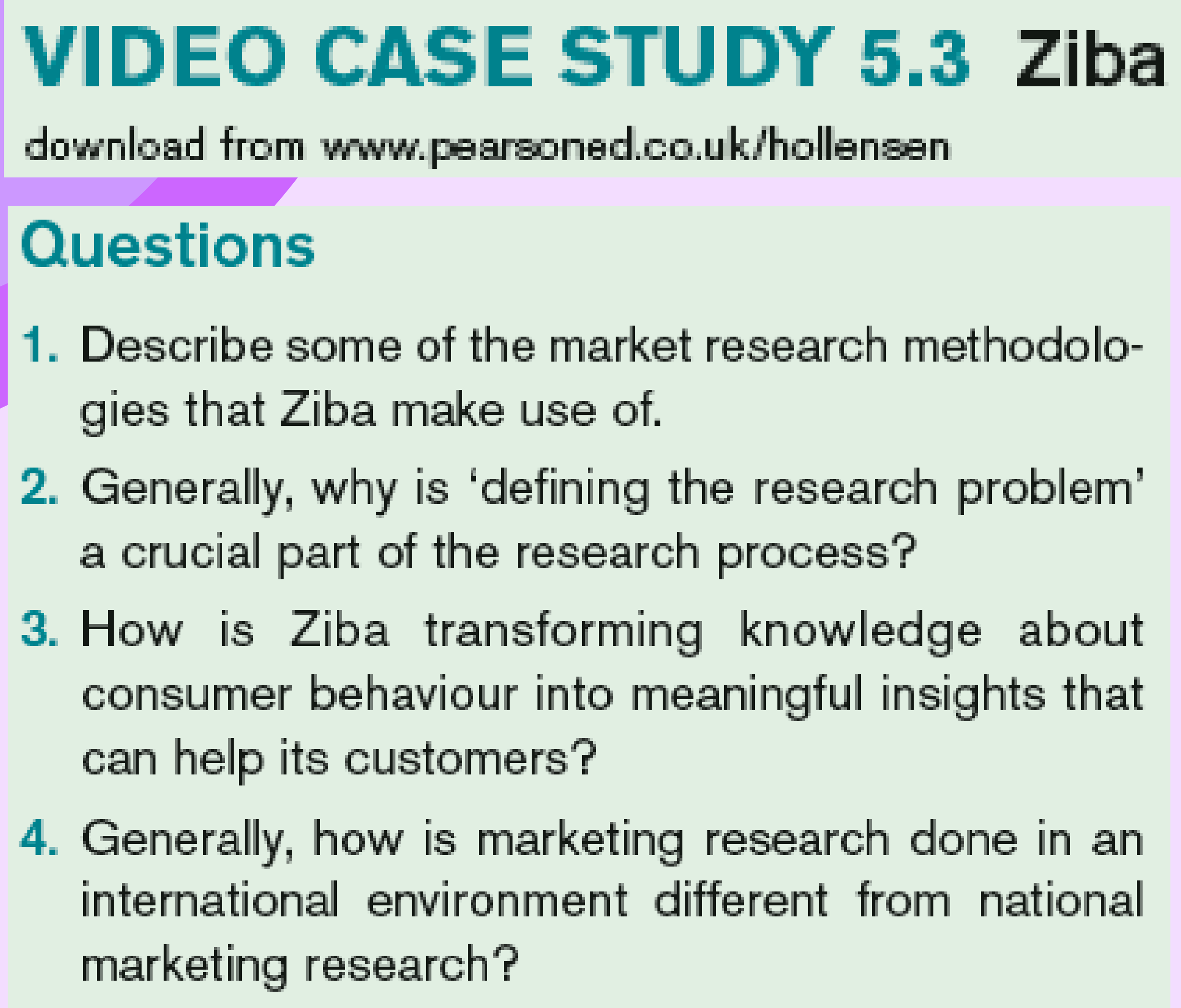
QUESTIONS

Tchibo is planning to expand its business system in Eastern Europe. The company plans to open over 400 coffee shops in Russia, Ukraine and Romania.

However, in order to develop the right promotion to the right customer group, Tchibo asks you as an international marketing consultant to answer the following questions.

1. Which market analysis should be made in Eastern Europe in order to target the right promotion campaign to the right customer group?
2. How would you estimate the potential market for coffee shops (in general) in Europe?
3. How will you use market analysis methods for estimating the possible European market share of Tchibo coffee shops?

Sources: www.tchibo.com; Reuters: German coffee firm Tchibo scales down the UK business, 26 November 2008; http://www.reuters.com/ article/rbssConsumerGoodsAndRetailNews/idUSLQ26922220081 126; Germany's Tchibo mulls exit from Britain, *Business News for the Food Industry* (Flexnews), 26 November 2008, http://www.flex-newsfood. com/pages/20678/Coffee/Germany/germanys-tchibo-mullsexit- britain.html.



VIDEO CASE STUDY 5.3 Ziba

Questions

1. Describe some of the market research methodologies that Ziba make use of.
2. Generally, why is 'defining the research problem' a crucial part of the research process?
3. How is Ziba transforming knowledge about consumer behaviour into meaningful insights that can help its customers?
4. Generally, how is marketing research done in an international environment different from national marketing research?

Questions for discussion (1)

- Explore the reasons for using a marketing information system in the international market. What are the main types of information you would expect to use?
- What are some of the problems that a global marketing manager can expect to encounter when creating a centralized marketing information system? How can these problems be solved?

Questions for discussion (2)

- What are the dangers of translating questionnaires (which have been designed for one country) for use in a multi-country study? How would you avoid these dangers?
- Identify and classify the major groups of factors that must be taken into account when conducting a foreign market assessment.

Questions for discussion (3)

- A US manufacturer of shoes is interested in estimating the potential attractiveness of China for its products. Identify and discuss the sources and the types of data that the company will need in order to obtain a preliminary estimate.
- Identify and discuss the major considerations in deciding whether research should be centralized or decentralized.

Questions for discussion (4)

- Distinguish between internal and external validity. What are the implications of external validity for international marketers?
- Would Tokyo be a good test market for a new brand planned to be marketed worldwide? Why or why not?
- If you had a contract to conduct market research in Saudi Arabia, what problems would you expect in obtaining primary data?

Questions for discussion (5)

- Do demographic variables have universal meanings? Is there a chance that they may be interpreted differently in different cultures?
- In forecasting sales in international markets, to what extent can the past be used to predict the future?
- How should the firm decide whether to gather its own intelligence or to buy it from outside?