Discover unfulfilled customer needs

Introduction

Marketing is both an art and a science. The science comes in the analysis of the facts and figures, demographics, pricing, transportation and distribution networks, GNP per capita, Purchasing Power Parity, Product lifecycle, and all the other tools and phrases bandied about by marketing gurus. The art however is in the conception and the crafting of strategies, in discovering an unfulfilled need in the market, and in the case of international marketing, discerning what is different in foreign markets and what remains the same.

This essay discusses what international marketing is, why it is important for organisations to understand and apply it and what tools an organisation can utilise to help it discern opportunities and obstacles in foreign markets.

What is international Marketing?

International marketing is a field of marketing dealing with marketing products, services and brands in foreign markets. Its most important aspect is discerning what differentiates foreign markets from domestic ones, what foreign consumers value in a product or service, how business is conducted in foreign markets and which marketing strategies work in foreign markets and which will not.

Why International Marketing is important for Organisations

International marketing is important for any organisation that wishes to sell its products or services in any market other than its domestic market.

Organisations that focus solely on their local market, without looking to expand into foreign markets run the risk of losing their competitive advantage to those that will. An example of this is Zespri. Zespri controls

21% of the international supply of Kiwifruit. Domestic consumption of kiwifruit alone would not allow New Zealand growers, who own Zespri, to achieve sales revenues of 1. 45 billion this year.

Zespri is also actively trying to improve the taste of their Kiwifruit, by undertaking consumer research to develop an understanding of what consumers define as a great tasting kiwifruit.

Identifying Opportunity's and Obstacles

Before deciding whether or not to introduce their products or services into an overseas market organisations need to evaluate many factors in order to evaluate whether there is an opportunity for them to conduct operations profitably.

The first thing an organisation needs to know about the market they are considering operating in is what kind of economic system the country operates under. There are many different kinds of economic systems, barter economies, feudal economies, anarchic economies and pastoral economies being a few examples, but the four systems that have dominated the previous 150 years since the industrial revolution are Market Capitalism & Centrally Planned Socialism, and more recently and to a lesser extent Centrally Planned Capitalism and Market Socialism.

A countries economic system can be classified as one of these four systems by examining two factors; how a countries resources are allocated, whether by a central planning or through market forces, and who owns these resources, either private ownership or state ownership.

Thus market capitalism is where the market decides how resources are allocated and ownership is private as opposed to centrally planned socialism where the state owns and allocates resources. In reality though most economies are mixed economies to a varying degree. China is an interesting example of a Centrally Planned Socialist economy that is transforming to a hybrid economy where private ownership is allowed, but the government still retains a guiding hand by creating policies and intervening to cater to their own ambitions for global market dominance.

The following quote from The War for Wealth: the true story of globalisation, or why the flat world is broken. By Garbor Steingart describes the economic system in China.

‘ The rise of China is principally the achievement of politicians, not market forces. The countries leadership has committed itself to the guided market economy, and western heads of state are nothing short of astonished to witness the sheer enthusiasm and boldness with which the Chinese government plays a highly risky game with many unknowns. Unlike the soviets, who lackadaisically managed the deficiencies of their country, the Chinese planning commissioners are planning an ascent to the stars. They are organising an economy that has virtually no natural resources and little experience with free markets, has no freely convertible currency, and must rely o a labor force that is essentially made up of farmers and peasants. The invisible hand of the market, of which Adam Smith spoke, is guided and directed by the iron fist of the state. We should look to the Far East with good will and respect, but we should also jettison our naiveté.” G. Steingart (2008) p20.

The form of economic system a country is using is important when considering whether an organisation can enter the marketplace, a strictly centrally planned economy, whether socialist or capitalist, will be more difficult to enter than market based economies, as an organisation may have to jump through a great deal of bureaucratic hoops to gain access to government controlled distribution and promotion channels, if they can at all, whereas in a market capitalism based economy gaining access to the marketplace is relatively easy.

Also important is to determine the stage of economic development in a country, which the World Bank classifies in four categories, as Low-income, Lower middle income, Upper middle income and High income.

The following descriptions of the World Banks four economic development levels is paraphrased from the fourth edition of Global Marketing by W. J. Keegan and M. C. Green (2005)

Low Income Countries have a per capita income of less than USD $755 per year, and generally share most of the following characteristics: Limited industrialization, and a large rural population, high birth rates, low literacy and numeracy rates, heavy reliance on foreign aid and political instability and unrest. These countries are usually concentrated in sub-Saharan Africa. The countries in this category makeup 41% of the world’s population but only control around 3% of global GNP (2003 figures).

These countries apparently offer limited opportunities for businesses, however I would disagree, traditional businesses looking to make large profits selling goods may not see any opportunities in these markets, but there is a great need in these countries for inexpensive, reliable goods such as electricity generators, Information and Communication Technology (ICT) systems and transportation to allow them to gain access to the global market. Reliable, renewable, low cost electricity generation systems such as small scale solar, wind and hydro generation to provide power on a individual or community scale combined with access to stand alone ICT would allow rural communities access to the global market place, and information to improve the productivity of substance farmers to gradually improve their standard of living.

Lower Middle Income countries contain 33% of the world's population and 8% of world GNP. These are countries with a per capita GNP of between USD $755 – $2, 995. These countries have a competitive advantage in simple labor intensive manufacturing due to their cheep labor pools, and are attractive to organisations because of their growing consumer base. Examples of lower middle income countries are South Africa, Thailand, and China.

Upper Middle Income countries make up roughly 9% of global population and 8% of Global GNP. These countries have a per capita income of USD $2995-$9266 and are characterised by increasing industrialisation and urbanisation, higher literacy and numeracy rates, advanced education but with labor costs still significantly lower than the high income countries. Examples of Upper Middle Income countries are Malaysia, Brazil and Turkey.

High Income Countries make up 15% of global population but 81% of global GNP. They have a GNP per capita of USD $9266or greater and are highly developed economies, whose service sectors usually contribute more than 50% of GNP. High income countries often focus on innovation and the development of technology.

Once an organisation has discerned what level of economic development the country they are thinking of marketing their product in is at, they need to determine whether or not there is enough demand for their product to justify the expense of attempting to enter that market. This can be done by conducting Segmentation analyses

Segmentation

Global Market Segmentation has been define as the process of identifying specific segments-whether they be country groups or individual consumer groups-of potential customers with homogenous attributes who are likely to exhibit similar responses to a company’s marketing mix. S. S. Hassan & L. P. Katsanis as stated by W. J Keegan & M. C. Green (2007)

To this end marketers can use several different segmenting factors to develop a market segmentation for the country and consumers they are thinking of targeting, some of these are described below.

Demographic segmentation

Demographic segmentation examines populations based on statistical factors such as Age, Gender, Income, Education and Employment or Occupation information. These statistics allow marketers to build a picture of what the current market is like and predict potential trends for the future. By examining income statistics, marketers can determine how much disposable income consumers are likely to have, helping them price their products accordingly.

Demographic information also alerts marketers and organisations to future trends. For example Western nations are going to see the median age of their population growing older, due to a decline in birth rates and low immigration levels, as the ' Baby Boomer' generation nears retirement there will be greater demand for retirement homes, superannuation schemes, over 50's groups etc. The converse of this is true for developing countries where a large proportion of the population is under the age of 18.

Psychographic segmentation

Psychographic segmentation analyses individual's values, belief systems, lifestyles and attitudes to determine what causes them to purchase products and how they view those products. Psychographic segmentation divides the demographic segment that buys a business's product or service and breaks it down further. This allows marketers to advertise to their target market much more effectively, using different techniques to target the different psychographic segments within their overall market.

Behaviour segmentation

Behaviour segmentation examines what products customers buy, how often they buy that product, and how much they use. Customers are also categorised by whether they use a product or not, whether they used to use a product but no longer do, whether they use the product regularly or infrequently, or whether they use a competitor's product.

Benefit segmentation

Benefit segmentation focuses on the benefits customers will receive from using a product as opposed to a competitor's product, or of the problems that a product will solve. This is one reason why the vast majority of advertising shows people who are happy, healthy, good looking and popular, leveraging the near universal desires of most consumers.

There are several ways to use the information gained from segment analysis to determine if a country offers an attractive prospect for introducing a product. One is to determine the current segment size and its potential growth. A business needs to assess whether there are enough potential users of a product in the market to allow the introduction of the product to be profitable.

If there are not enough potential users currently in the marketplace, an organisation should determine at what point in the future will there be, or try to alter the product to fit the current markets needs more successfully.

Businesses also need to know their potential competition in the new marketplace, and determine whether a market where they will face significant competition is going to be profitable enough to outweigh the added cost of competing and also distinguish what their competitive advantage is against products already in the market.

Product saturation levels

Another important tool to use when determining whether there is an opportunity to enter a country market or not is to assess the product saturation levels of the product or service you wish to enter into the marketplace. Product saturation levels are determined by the price of the product, the perceived usefulness of the product in the target market and the income of the consumers in a market. Product saturation levels are a rough guide to how large the market for a product in a country is. Low saturation levels could mean there is only a small market for a product.

However, product saturation levels do not necessarily equate to demand. The quality or price of the product currently in the market may be a factor contributing to low saturation levels. If the same product can be entered into the marketplace with better quality or at a lower price the demand may be greater than indicted by product saturation.

Conclusion

International marketing is essential for organisations looking to introduce their products or services into a foreign market. As witnessed by the example of zespri at the beginning of this essay, knowing your customers preferences and what your products competitive advantage is becomes extremely important and a source of competitive advantage itself. Marketing is all about knowing who your customers are, what they need and want, and what will drive them to purchase your product.

Through the use of marketing tools such as the various segmentation methods an organisation can refine the picture they have of their customers, which allows them to target others like them more effectively or alter their marketing mix as demographics or values change, allowing them to grow their market share and profitability.

As the world becomes increasingly global and interconnected, approximately 85% of the world's population that lives outside the developed world is going to begin wanting products they could not afford before. As their level of development increases through trading their labor for cash they will begin spending. In order to remain in competition in the coming decades any organisation must find its niche within this market, otherwise the competition will gain a phenomenal advantage.

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