Introduction Part II and Chapter 5 Global marketing research
PART II

Deciding which markets to enter
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>
<thead>
<tr>
<th>Global marketing decision phase</th>
<th>Information needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Deciding whether to internationalize</td>
<td>Assessment of global market opportunities (global demand) for the firm’s products</td>
</tr>
<tr>
<td></td>
<td>Commitment of the management to internationalize</td>
</tr>
<tr>
<td></td>
<td>Competitiveness of the firm compared to local and international competitors</td>
</tr>
<tr>
<td></td>
<td>Domestic versus international market opportunities</td>
</tr>
<tr>
<td>2. Deciding which markets to enter</td>
<td>Ranking of world markets according to market potential of countries/regions</td>
</tr>
<tr>
<td></td>
<td>Local competition</td>
</tr>
<tr>
<td></td>
<td>Political risks</td>
</tr>
<tr>
<td></td>
<td>Trade barriers</td>
</tr>
<tr>
<td></td>
<td>Cultural/psychic distance to potential market</td>
</tr>
<tr>
<td>3. Deciding how to enter foreign markets</td>
<td>Nature of the product (standard versus complex product)</td>
</tr>
<tr>
<td></td>
<td>Size of markets/segments</td>
</tr>
<tr>
<td></td>
<td>Behaviour of potential intermediaries</td>
</tr>
<tr>
<td></td>
<td>Behaviour of local competition</td>
</tr>
<tr>
<td></td>
<td>Transport costs</td>
</tr>
<tr>
<td></td>
<td>Government requirements</td>
</tr>
<tr>
<td>4. Designing the global marketing programme</td>
<td>Buyer behaviour</td>
</tr>
<tr>
<td></td>
<td>Competitive practice</td>
</tr>
<tr>
<td></td>
<td>Available distribution channels</td>
</tr>
<tr>
<td></td>
<td>Media and promotional channels</td>
</tr>
<tr>
<td>5. Implementing and controlling the global marketing programme</td>
<td>Negotiation styles in different cultures</td>
</tr>
<tr>
<td></td>
<td>Sales by product line, sales force customer type and country/region</td>
</tr>
<tr>
<td></td>
<td>Contribution margins</td>
</tr>
<tr>
<td></td>
<td>Marketing expenses per market</td>
</tr>
</tbody>
</table>
Figure 5.1  Categorization of data for assessment of market potential in a country
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 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>
<thead>
<tr>
<th>Comparison dimension</th>
<th>Quantitative research (e.g. a postal questionnaire)</th>
<th>Qualitative research (e.g. a focus group interview or the case method)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objective</strong></td>
<td>To quantify the data and generalize the results from the sample to the population of interest</td>
<td>To gain an initial and qualitative understanding of the underlying reasons and motives</td>
</tr>
<tr>
<td><strong>Type of research</strong></td>
<td>Descriptive and/or casual</td>
<td>Exploratory</td>
</tr>
<tr>
<td><strong>Flexibility in research design</strong></td>
<td>Low (as a result of a standardized and structured questionnaire: one-way communication)</td>
<td>High (as a result of the personal interview, where the interviewer can change questions during the interview: two-way communication)</td>
</tr>
<tr>
<td><strong>Sample size</strong></td>
<td>Large</td>
<td>Small</td>
</tr>
<tr>
<td><strong>Choice of respondents</strong></td>
<td>Representative sample of the population</td>
<td>Persons with considerable knowledge of the problem (key informants)</td>
</tr>
<tr>
<td><strong>Information per respondent</strong></td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td><strong>Data analysis</strong></td>
<td>Statistical summary</td>
<td>Subjective, interpretative</td>
</tr>
<tr>
<td><strong>Ability to replicate with same result</strong></td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Interviewer requirements</strong></td>
<td>No special skills required</td>
<td>Special skills required (an understanding of the interaction between interviewer and respondent)</td>
</tr>
<tr>
<td><strong>Time consumption during the research</strong></td>
<td><em>Design phase:</em> high (formulation of questions must be correct). <em>Analysis phase:</em> low (the answers to the questions can be coded)</td>
<td><em>Design phase:</em> low (no 'exact' questions are required before the interview). <em>Analysis phase:</em> high (as a result of many 'soft' data)</td>
</tr>
</tbody>
</table>
Research approaches

Observation

Surveys

Experiments
Contact methods

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

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
Figure 5.5  Illustrations of possible reliability and validity situations in measurement

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
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
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.
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
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>
<thead>
<tr>
<th>Country</th>
<th>Number of coffee shops</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>around 600</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>around 70</td>
</tr>
<tr>
<td>Switzerland</td>
<td>around 100</td>
</tr>
<tr>
<td>Austria</td>
<td>around 200</td>
</tr>
<tr>
<td>Poland</td>
<td>around 50</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>around 25</td>
</tr>
<tr>
<td>Turkey</td>
<td>around 25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>around 1070</strong></td>
</tr>
</tbody>
</table>

*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?

VIDEO CASE STUDY 5.3 Ziba

download from www.pearsoned.co.uk/hollensen

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.
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?