

An Analysis of International Market Segmentation

Mr. Venkatesh Ashokababu

Assistant Professor, Masters In Business Administration, Presidency University, Bangalore, India,
Email Id-ashokababu@presidencyuniversity.in

ABSTRACT:

International market segmentation is a crucial strategy for businesses operating in global markets. This chapter provides a concise overview of the importance and complexities of international market segmentation. It explores the significance of segmenting international markets based on geographic, demographic, psychographic, and behavioral factors. The chapter also examines the challenges associated with international market segmentation, including cultural differences, language barriers, diverse consumer preferences, and varying market dynamics. By effectively segmenting international markets, businesses can tailor their marketing efforts, understand consumer needs, and develop targeted strategies for sustainable growth in diverse global markets.

KEYWORDS:

Behavioral Segmentation, Cultural Segmentation, Demographic Segmentation, Geographic Segmentation, Global Market Segments, Lifestyle Segmentation.

I. INTRODUCTION

The practise of finding and classifying clients worldwide into discrete subgroups that react to a certain marketing plan is known as international market segmentation. It is important to use diverse marketing strategies for several market segments since clients in each have comparable wants that may be met by a single marketing approach [1], [2]. Market segmentation has drawn attention for many years. One observer proposed in the late 1960s that the European market might be split into three major groups based only on customers' presumptive sensitivity to a similar advertising strategy: international sophisticate, semi sophisticate, and provincial. Another author proposed that some topics were universal and could be used to advertisements all across the world. Professor Theodore Levitt presented the idea that customers worldwide seek for variety and that similar new categories are likely to appear in a number of different national marketplaces in the 1980s. Therefore, regional or cultural dishes like sushi, Greek salad, or hamburgers may be popular anywhere in the globe. This tendency, according to Levitt, is the pluralization of consumption and segment simultaneity, which gives marketers the chance to target a specific market on a worldwide level. Global businesses nowadays are likely to divide the globe market into one or more segments. Geographical location, demography, psychographics, behavioural traits, and advantages sought are important factors. In order to create groupings, it is also feasible to cluster several national markets according to their surroundings. The segmentation of users by user category horizontally is another effective approach for global segmentation. Major segmentation types utilised while making choices for global markets are covered:

Geographic Segmentation: The markets are separated into geographical groupings using geographic segmentation. Despite the fact that geographic segmentation makes data collection and analysis simpler, owing to consumer proximity, it does not necessarily guarantee consistency in consumer behaviour. For instance, while Myanmar is India's immediate neighbour, its market structure and consumer habits are quite different. However, location has been rated as the least important factor for dividing up global marketplaces [3], [4].

Segmenting by Demographics: Demographic segmentation is the division of global markets according to demographic factors like age, gender, family size, education, etc. This kind of market segmentation is accessible and offers a respectable degree of measurement accuracy. Additionally, in the majority of nations, demographic data is easily accessible, often updated, and generally reliable.

Income-Based Country Segmentation: The World Bank uses income-based country segments for analytical and operational objectives. Based on income, each economy is segmented. Low-income economies are those with a GNI per capita, calculated using the World Bank Atlas method, of \$1,045 or less in 2014; middle-income economies are those with a GNI per capita, calculated using the World Bank Atlas method, of more than \$1,045

but less than \$12,736; and high-income economies are those with a GNI per capita, calculated using the World Bank Atlas method, of \$12,736 or more. At a GNI per capita of \$4,125, lower middle-income and higher middle-income economies are distinguished from one another.

Market Segmentation in India Based on Household Income: The family's spending habits are influenced by the household income in terms of both desire and capacity to purchase. With slightly over 1 million people, India's purchasing class may be divided into several levels of wealth and price-value orientation, ranging from the poor to anywhere in the world consumers who just happened to be in India. Based on NCAER's definition of the five consuming classes, the general model of the Indian market has been presented [5], [6]. The Indian families may be divided into the following groups according to their income:

1. Rich.
2. Consuming.
3. Climbers.
4. Aspirants.
5. Destitutes.

There has been a sharp increase in the consuming class, which is anticipated to lead to a much stronger market growth for consumer products in India, according to a review of the consumer categories based on income. It provides tremendous prospective markets for foreign businesses interested in the Indian market.

Market segmentation according to age: Age has a big impact on the consumption habits within a nation [7], [8]. For instance, the following three separate categories make up the demographic division of the Chinese market based on age:

Psychographic Segmentation: Psychographic segmentation is the division of customers into several categories based on lifestyle, personality, or values. Different psychographic profiles may exist among consumers who belong to the same demographic groups. It is easier to build an international marketing plan when psychographic market categories cross national borders.

Indian Youth Psychographic Segmentation: 60% of India's population is under the age of 24 and is made up of Indian youth. It is the generation that developed in the years after liberalisation and had media exposure to the West. MTV conducted a poll to examine the psychographic profile of Indian youth based on their values, iconography, rituals, and symbols, and the results are broken down into the following key categories [9], [10]. International Market Segmentation Based on Core Values Core values have a far deeper connection to behaviour and attitude than these things do, and they influence consumer wants and decisions over the long run. Belief systems, sometimes referred to as fundamental values, have a significant impact on consumer attitudes and behaviour. The following key values may be used to categorise global markets:

Strivers

Increase the focus on financial and professional aspirations while somewhat favouring males over women. Strivers make up one-third of Asians. Devout people respect tradition and responsibility more highly and are disproportionately made up of women. Devout people are more prevalent in the Middle East, Africa, and emerging Asia than in Western Europe and developed Asia.

Altruists

They are older, with a median age of 44, somewhat more female than male, and are more concerned with social concerns and social welfare. There are more humanitarians in Latin America and Russia than anywhere else.

Intimates

Give greater importance to family and interpersonal ties, and treat men and women virtually equally. In emerging Asia, just 7% of people are intimates, compared to one-fourth of Americans and Europeans.

II. DISCUSSION

This market sector is very interested in technology, information, and education. Western Europe and Latin America have higher concentrations of creatives. The segmentation of global markets based on fundamental values is based on Roper Reports' interviews with 1000 individuals across 35 different nations. Understanding the prevalence of these segments in different nations makes it easier to make decisions in foreign marketplaces since individuals in each segment vary in terms of their activities, products, preferences and uses, and media use.

Segmentation Based on Potential for International Marketing. The stage of demand for goods and services differs greatly among nations. The following categories of global marketplaces may be made based on opportunity: These are the markets that are already being supplied by current vendors and where it is clear what the customers want. By evaluating the consumption rates and import trends in these nations, marketing potential may be analysed. Unless a better product is given, entering the market is challenging due to the presence of rival vendors.

There is no current market for these products since no business has yet developed a product to address the latent demands, despite the fact that these markets have identified prospective users. Market entrance is very simple if a company is able to persuade clients of the advantages of its market offers since the market demand potential is understood and there is no direct competition in the market. Although there is now no demand in the market, the circumstances and trends that will lead to the development of requirements in the future may be seen. Once the market is found, formed, and buyers are convinced to buy the product, which results in market development, the emerging markets have the potential to develop into established ones. Products that are competitive don't significantly outperform those that are already on the market. It's a 'me too' market offering. An upgraded product offers some improvement over the current market offerings, even while it is not entirely original.

Breakthrough Product: It exhibits notable innovation and distinction and, as a result, has a considerable competitive advantage. For each of these three product categories, there are various demand trends. A product must be ground-breaking or superior in current markets in order to have a high level of competitive power. An upgraded product may also be successful in latent markets since there isn't any direct competition there. Because there isn't yet any demand for the product, rival items in other markets may likewise be introduced in emerging markets. However, if a market demand is found or established, breakthrough items may provide a significant competitive advantage.

Market Attractiveness-Based Segmentation: The market's overall attractiveness is largely influenced by the market's size and growth, risk, governmental restrictions, level of competition, and institutional and physical infrastructure. According to their general appeal, markets may be divided into one of the following five groups:

1. Platform nations may be used to build a marketing network and acquire information. Hong Kong and Singapore are two examples.
2. Philippines and Vietnam are examples of emerging markets. Here, creating a first presence say, via a liaison office is the main objective.
3. Early mover benefits may be available in developing markets like China, India, Thailand, Indonesia, Malaysia, and the Philippines. These often urge businesses to establish a sizable presence in order to take advantage of upcoming market possibilities.
4. There are much less opportunities for expansion in maturing economies like Taiwan and Korea.
5. The regional rivals are often well-established. These economies, however, have a sizable middle class and a reliable infrastructure. The main job at hand is to explore for methods to expand the market via strategic partnerships, large investments, or acquisitions of domestic or smaller international competitors.
6. markets that are established, like Japan. The growth prospects are substantially less favourable than those of other market categories, much like those of mature markets. As part of its consolidation strategy, a multinational company often enters these areas via joint ventures or acquisitions and integrates into regional or global operations.

International Markets Selected

The customers who can be addressed most effectively and efficiently by a company should be identified. Preliminary screening and final analysis for selecting and targeting are the two stages of choosing overseas markets. Estimating market size, accessibility, and profitability are some of the techniques utilised for preliminary screening. Microanalysis is necessary to determine the size of the market for a certain product before choosing the target market. The methods that are most often used to determine market size are trade analysis and market analogies. Growth-share and market portfolio matrices are valuable analytical tools for final market selection and strategy creation.

Screening of International Markets in the Early Stages

The following standards may be used while doing preliminary screening of a nation for market selection:

Industry Size: A company planning to join a foreign market has to evaluate the market's current size and prospects in the future. Remember that the biggest markets aren't usually in the developed world. As said, a lot of variables affect market size.

Population: The market's population generally provides an approximation of the size of the market, but it must be used in conjunction with other indicators. For instance, China and India are the most populated nations, but this does not always imply that they have the biggest marketplaces in the world. However, population gives a gross estimate of market size for 'essential commodities' with low unit value, such as food products, healthcare products, educational products, bicycles, etc. The population density often determines how accessible a market is. It is simpler to access the market the greater the population density. In nations with low population densities, maintaining marketing channels becomes challenging.

Income: In order to purchase the goods in a market, consumers require money. In comparison to population, a country's gross domestic product offers a more accurate assessment of the size of the market. The assessment of future market potential is made easier by the growth rate of per capita GDP. A country's population's buying power is better predicted by per capita income. The assumption used in the computation of per capita income is that income in the nation is distributed equally. While many nations have a bimodal income distribution with no middle class, India has a sizable middle class. This is the presence of several market niches inside a nation. The buying power of money varies enormously across nations, having a considerable impact on the cost of living. As a result, buying power must be taken into account.

Market Accessibility to Global Markets

Various marketing hurdles must be overcome in order to penetrate the market. Due to a number of marketing obstacles, a high-potential professional market may not be alluring.

Tariff Barriers: These are governmental restrictions on the import of certain items and services in the form of customs taxes or other forms of taxation on commodities that cross international boundaries. The following groups of tariff barriers are possible based on the direction of trade Exports versus Imports.

Tariffs: Tariffs may be levied on imports or exports depending on the direction in which the product is moved. Generally speaking, import taxes or customs duties are more prevalent than export tariffs. To preserve their limited resources, nations do, nevertheless, sometimes impose export levies. Instead than being placed on finished or value-added items, such tariffs are often placed on raw materials or core products. On the basis of Goal: Revenue Tariffs vs. Protective Tariffs. Protective tariffs, which restrict imports of foreign products, are levied to safeguard domestic businesses, agriculture, and labour against international competition. Indian industries have always been shielded from international competition by extremely high tariffs. On the other side, the government may set tariffs in order to raise minimal tax income on imports. For example, the UAE levies import duties of 3-4%, which could not be considered protective tariffs.

Tariff Surcharge vs. Countervailing Duty According to the Length of Time: Tariffs may be categorised as either a surcharge or a countervailing duty depending on the length of time they have been in place. Countervailing levies are more or less permanent in character, whereas any increase in tariffs by the importing nation is a temporary measure. Countervailing tariffs are imposed in order to balance off the government subsidies given by exporting nations. The topic of countervailing duties has previously been well covered.

Considering Tariff Rates: Ad valorem, Ad specific, and Ad combined: Specific responsibilities are those that have a predetermined amount per unit of weight or another measurement. For example, these duties are expressed in terms of rupees or dollars per kilogramme, metre, or litre of the commodity. When determining particular responsibilities, the CIF value or product cost or prices are not taken into account. Due to their reduced unit value, many tariffs are seen as discriminatory in character yet successful in defending low-priced goods. Ad valorem duties are those that are assessed based on value. These taxes are imposed as a set proportion of the dutiable value of imported goods. Ad valorem responsibilities, as opposed to particular tasks, have a predetermined proportion of duty. Depending on how much the goods is worth, the duty collection changes. Ad valorem taxes aid in preventing any price rises or falls for an imported item. Combination or compound duty refers to the application of both specified and ad valorem taxes on a single item. This approach involves applying both specific and ad valorem charges to an imported product.

III. CONCLUSION

In conclusion, foreign market segmentation is a key tactic for companies looking to succeed in foreign markets. Businesses may comprehend and cater to the different demands of customers globally by segmenting global markets based on geographic, demographic, psychographic, and behavioural variables. To apply segmentation strategies successfully, organisations must manage the difficulties presented by cultural disparities, linguistic obstacles, and shifting market dynamics. Businesses may then target their marketing campaigns, create focused

plans, and experience sustained development in global marketplaces. Furthermore, firms must constantly analyze and modify their segmentation strategy due to the various market dynamics, economic climates, and competitive environments across other nations. Responding to shifting market trends and customer behaviour requires flexibility and adaptation.

REFERENCES

- [1] S. T. Cavusgil, S. Deligonul, I. Kardes, and E. Cavusgil, Middle-class consumers in emerging markets: Conceptualization, propositions, and implications for international marketers, *J. Int. Mark.*, 2018, doi: 10.1509/jim.16.0021.
- [2] C. Dennis, J. J. Brakus, G. G. Ferrer, C. McIntyre, E. Alamanos, and T. King, A Cross-National Study of Evolutionary Origins of Gender Shopping Styles: She Gatherer, He Hunter?, *J. Int. Mark.*, 2018, doi: 10.1177/1069031X18805505.
- [3] A. Fuertes and J. M. Serena, How firms borrow in international bond markets: Securities regulation and market segmentation, *J. Financ. Regul. Compliance*, 2018, doi: 10.1108/JFRC-11-2016-0100.
- [4] G. A. Karolyi and Y. Wu, A New Partial-Segmentation Approach to Modeling International Stock Returns, *J. Financ. Quant. Anal.*, 2018, doi: 10.1017/S0022109017001016.
- [5] M. P. C. MPC, *The Race Towards Industry 4.0*, Malaysia Product. Corp., 2018.
- [6] T. Ramukumba and M. V. Moeketsi, Profiling and segmentation of international tourists in Lesotho, *African J. Hosp. Tour. Leis.*, 2018.
- [7] R. Mercado, Bilateral Capital Flows: Transaction Patterns and Gravity, *SSRN Electron. J.*, 2018, doi: 10.2139/ssrn.3224176.
- [8] M. T. Daulay, A. Sanny, E. S. Rini, and I. Sadalia, Factors that influencing the satisfaction and loyalty of Silkair international flight service passengers at Kualanamu Airport, Deli Serdang, Indonesia, *Int. J. Civ. Eng. Technol.*, 2018.
- [9] S. Tantray, Consumer Ethnocentrism in 21st Century: A Review and Research Agenda, *Bus. Econ. J.*, 2018, doi: 10.4172/2151-6219.1000368.
- [10] M. Jagannathan, W. Jiao, and R. R. Wermers, International Characteristic-Based Asset Pricing, *SSRN Electron. J.*, 2018, doi: 10.2139/ssrn.3288103.