
2.1 The Market Assessment Task

One of the most important strategic questions for any company is where to compete. On a more general level, this leads back to the profound questions Levitt¹ posed more than 50 years ago, namely “What business are we in?” and “What business do we want to be in?” These questions have technological dimensions (e.g., type of technology used and offered), customer dimensions (e.g., type of customers segments addressed) and geographic market dimensions (e.g., countries or regions served). In the context of global marketing strategy, the main focus traditionally lies on the geographic dimension. Thus, a company may ask “Which geographic markets are better for its purposes, Norway or Sweden, India or Brazil?” “What should drive its market entry or market expansion: the current size of the market, the predicted growth rate, the presence or absence of competitors, the infrastructure, the legal system, the political risk, etc.?”

Notwithstanding the obvious complexity of assessing geographical market opportunities, global marketing strategy is made even more difficult as all the other dimensions involved in answering the question “What business are we in?” need to be re-evaluated for each geography. This involves technological questions, such as adapting or tailoring technology to a certain geographical target market (e.g., switching from front-loading to top-loading washing machines) as well as fundamental choices about the type of customers to be served. Deutsche Bank, for example, has a wide network of branches in Germany, since it also serves retail customers; elsewhere in the world, it pursues corporate customers, which do not require a dense network of branches.

Ultimately, market assessment involves a judgment on the transferability of the entire business model a corporation is using. For example, when Procter and Gamble took over Max Factor, it also acquired a local skin-care brand called

¹ Levitt (1960).

SK-II in its Japanese products portfolio. The product contained *pitara*, a yeast-based ingredient supposedly developed by a Japanese monk. Despite its unusually high price, the brand had an extremely loyal following in Japan. When P&G considered whether to expand SK-II from its Japanese home market to other countries, it not only had to analyze the demand for skincare products in other geographical markets, but also to assess the transferability of the entire business model required to support the brand. This included an investigation of the distribution systems in other markets, such as the use of beauty counselors. In addition, P&G had to judge whether SK-II was too dependent on the unique skin-care practices of Japanese women and assess the transferability of the brand's mystique, which built on the discovery of *pitara* by the Japanese monk. A central question also was the likelihood of women in other countries to support high prices. Of course, a major strategic issue was also the fit of the brand in the product portfolios already existing in other countries.² Thus, each and every element of the business model needs to be re-assessed when expanding a product or service into a new country market.

When managers discuss marketing research, some will be quick to point to its limitations. A criticism, which is often voiced, is that traditional market research seldom leads to breakthrough innovations.³ Instead, the curiosity of innovators has been found to be the motivating force.⁴ Henry Ford allegedly observed, "If I'd listened to customers, I'd have given them a faster horse."⁵ It is true that marketing research has its limitations and market-driving innovators, like Jeff Bezos from Amazon, who has radically changed the composition of an entire industry, generally do not identify these opportunities through marketing research.⁶ Nevertheless, managers should also not go overboard and dismiss marketing research altogether. First, life is not all about radical innovations and breakthroughs; ongoing incremental innovations in products and processes are also important. Second, even companies like Amazon face issues where market research adds value, such as assessing the demand for different types of products in different markets. Last, there are marketing research techniques designed to spur innovativeness and creativity. While they cannot guarantee radical innovation, they are likely to create better opportunities for innovation than simply waiting for the one exceptional guru who may be hiding somewhere in the opaque fabrics of the engineering department.

Below, we first show how managers can use secondary data to assess different geographic markets. This may be particularly useful for companies which are relatively new to global marketing and want to identify promising export markets. However, well-established companies that already have a global reach will also try to exhaust the possibilities offered by secondary data when expanding or fine-tuning their international operations. Next, we discuss how primary research can be

² Bartlett (2004).

³ Lynn et al. (1996).

⁴ Nayak and Kettingham (1993).

⁵ AZQuotes: <http://www.azquotes.com/quote/810128>. Accessed August 1, 2015.

⁶ Kumar (2004).

conducted in different geographical markets and point to the multitude of challenges inherent in conducting primary marketing research in different countries and cultures. Last, we focus on the design of ongoing marketing information within an already established network of international operations. Here, global marketing information systems are viewed as part of an MNC's overall endeavor to create knowledge management systems capable of exploiting locally created knowledge worldwide.⁷

2.2 Assessments Based on Secondary Data

2.2.1 Global Information Needs

For a variety of reasons, be it to review ongoing business operations in a country or to identify a promising first time market entry, management needs information on the business environment in different geographic markets. This may include information on the economic development in different countries, but also on the political, legal and regulatory environment. There are a number of different approaches to analyzing the environment. The acronym SLEPTS, for example, captures the social, legal, economic, political, technological and sustainability dimension.⁸ A separate look at sustainability is still unusual. However, considering the various sustainability challenges we are facing around the globe, we welcome the inclusion of this dimension in the analysis of the environment.

Virtually every textbook devoted to international or global marketing,⁹ including one I co-authored, has a long section on the international environment. A long-winded regurgitation of this discussion is therefore not necessary. Instead, here is a coarse-grained list of factors global marketing managers may wish to consider when analyzing environmental influences on marketing decisions following the SLEPTS typology:

- S:** Social and cultural factors like language, religion, aesthetics, values, social organizations, etc.
- L:** Legal environments of the home and host country, international law including taxation agreements, administrative rules and regulations, etc.
- E:** Economic characteristics, such as level of economic development, size of the economy, growth, population, income, purchasing power, economic risks, etc.
- P:** Political factors potentially affecting operations, such as discriminatory restrictions, tariffs and non-tariff barriers, bi-lateral or regional trade agreements, etc.

⁷ Schlegelmilch and Chini (2003).

⁸ Doole and Lowe (2012).

⁹ Examples include: Czinkota and Ronkainen (1996), Hollensen (2011) and Keegan and Schlegelmilch (2001).

- T:** Technological environment, such as the development of technological infrastructure, the household saturation with technological goods, etc.
- S:** Sustainability attempts to assess whether environmental, social equity and economic demands are reconciled without compromising the ability of future generations to meet their own needs.

The factors listed above are merely examples without any claim of completeness. In addition, it is debatable whether a given factor should rather be part of one dimension or another (e.g., whether taxes are a legal or political issue). Despite these limitations, global marketing managers will be able to structure their environmental analyses around these topics.

2.2.2 The Global Market Assessment Process

The dimensions identified above represent the backbone of any country assessment and selection. However, the task differs depending on the degree of the current international operation of a corporation. Companies that have international operations in place tend to have routinized market assessment criteria and primarily use them to monitor and fine-tune their operations. In contrast, managers seeking to enter new country markets face a bewildering set of market choices and usually have to resort to secondary data to guide an initial market assessment and selection process.

Before we look at a possible approach to market assessment in detail, a word of caution. Although the use of secondary data for assessing country markets is relatively inexpensive, notably in comparison to primary data collection, and has been greatly aided by the availability of many electronic sources on the Internet, there are important caveats that have to be kept in mind: Data may not come in the required format and the accuracy and equivalence of the data may be problematic. Although the UN Demographic Yearbook, for example, reports a set of tables showing breakdowns between urban and rural population, there is no internationally agreed definition of urban and rural that would be applicable to all countries or even to all countries within a region. And the range is formidable: Japan, defining urban as people living in cities of 50,000 and more while Iceland classifies its population as urban when they live in localities of 200 and more inhabitants.¹⁰ Also, apparently simple comparisons of GNP per capita may be misleading, as the provision of social services in form of medical care or education varies from country to country, and adjustments of national income for purchasing power equivalence often results in significant shifts in relative wealth. A discussion of equivalence issues in international secondary data, as well as hints on where

¹⁰ Demographic Yearbook (2005).

secondary data can best be located, can be found in an excellent text on international marketing research by Craig and Douglas.¹¹

Notwithstanding these limitations, given the large number of potential target markets—the UN has nearly 200 members—it is virtually impossible to conduct an analysis without secondary data. However, companies will find it uneconomical to collect a full set of data for all geographical markets and on each and every environmental dimension detailed above. Instead, most companies tend to use a multi-stage approach. At each stage of this filtering process, the number of potential target markets is narrowed down and the selection criteria become increasingly stringent.

A four-stage approach is typical: (1) A quick weeding out of obvious no-go country markets; (2) an assessment of the remaining countries based on secondary data, usually involving a scoring model; (3) an in-depth assessment of the remaining markets, for example drawing up pro-forma income statements for each market; (4) a personal visit of the final 1–3 high potential markets, including meetings with prospective business partners in these markets. We now discuss each of these stages in more detail.

In the first stage, country markets may be filtered out because of on-going military conflicts or other security concerns. Possibly, there are also domestic or international restrictions (e.g., embargos) that prevent business relationships with certain countries. In addition, markets may be filtered out based on a few obvious and readily available criteria, such as low level of economic development, excessive political uncertainty or apparent misfit of products or services (e.g., snowmobiles in the tropics).

In the second stage, managers may select a larger number of readily available assessment criteria to assess the smaller group of markets. This typically involves first estimates of the market capacity (i.e., the maximum size of the country market), market demand, supply side, etc. The market capacity is typically calculated as the product of the total number of existing buyers (e.g., inhabitants, households, or firms) and the maximum quantity purchased. While it provides a first approximation of the market size, it is not a very realistic measure. For example, how realistic is it to assume that every nation in the world consumes 110 L of beer per head? Thus, it is more realistic to work with averages and look at the market potential. For fast moving consumer goods (FMCGs), market potential is calculated as the total number of buyers in a specific market, times the quantity purchased by an average buyer. When a value estimate is required, the result may also be multiplied by the price of an average unit. For some products, such as cars, it is sometimes easier to look at the supply side to estimate the size of the market. For a first crude estimation, the relevant data can be obtained from production and foreign trade statistics (Table 2.1).

Which indexes or figures are used to assess potential country markets depends on the particularly industry and the needs of the company conducting the analysis. In principle, there is hardly any limit to the degree of detail and the number of assessment criteria that can be used.

¹¹ Craig and Douglas (2005).

Table 2.1 Estimating market supply

<i>Production</i>
– Exports
<i>Domestic sales</i>
+ Imports
= Theoretical market supply
+ Balance of the movement in stocks
= Effective market supply

2.2.3 Use of Scoring Models

Scoring models can provide a means to support this second stage of the market analysis by systematizing the country assessment and selection process. Table 2.2 provides a hypothetical example of such a selection model. On one side, it lists the selection criteria and weighs these criteria according to their importance for the specific business. On the other side, it gives the prospective target markets. Managerial estimates are given on each country's performance on the different selection criteria; in the example from 0 (very bad conditions) to 4 (very favorable conditions). By multiplying estimates and weights and adding them up, a final summated score for each country is obtained. The country with the highest score is identified as the most promising foreign target market.

When looking at the market selection criteria in detail, it becomes clear that some of them are summary measures. In Table 2.2, the market potential may be a single estimate, as discussed earlier in this chapter, or a composite consisting of several variables including market size, market growth, consumption per capita, etc. Each of these variables will again carry a certain weight. In this context, managers may wish to consult indexes such as those provided by the Economist Intelligence Unit (EIU), which regularly publishes various summary indexes, such as a market size or a market growth index,¹² or the MSU-CIBER¹³ of Michigan State University, which publishes market potential indexes for emerging markets.

While the design of a scoring model has the advantage to systematize the assessment and selection of geographic markets, it has to be kept in mind that the assessment remains highly subjective. This holds for the selection of criteria used to compare the country markets, the weights assigned to these criteria (and their components, if the criteria are summary measures) and the estimates of the situations in the respective markets. In order to reduce the subjectivity inherent in such scoring models, it may be useful to initially use separate teams of assessors independently and then to discuss any differences in assessment between the teams.

Another potential problem is that scoring models often fail to capture strategic issues like market interdependences. However, through the inclusion of factors like membership of free trade areas, customs unions and monetary union, or the specification of country markets as technological lead markets, potential

¹² Economist Intelligence Unit (EIU). <http://www.eiu.com>. Accessed March 26, 2013.

¹³ GlobalEDGE. <http://globaledge.msu.edu>. Accessed August 11, 2015.

Table 2.2 Hypothetical scoring model for assessing international markets

		Selection criteria												
1		2		3		4		5		6				
Market potential		Tariffs		Non-tariff barriers		Product fit		Competitive intensity		Shipping costs				
Weights		W = 5		W = 17		W = 25		W = 22		W = 16				
Countries	E	W × E	E	W × E	E	W × E	E	W × E	E	W × E	Rank			
Denmark	2	30	2	10	1.5	25	3.5	87	0.5	11	3.5	56	219	4
Sweden	3.5	52	4	20	3.5	59	25	62	2	44	3	48	285	2
Norway	2	30	3	15	2	34	3.5	87	1	22	2.5	40	228	3
Finland	4	60	4	20	3.5	59	3	75	4	88	1.5	29	326	1
Portugal	0	0	3	15	1	17	0.5	12	2	44	2	32	120	5
Germany														
Austria														
Spain														
:														

W weights of selection criteria

distribution hubs for neighboring countries, etc., it is possible to avoid the potential pitfall of only viewing markets in isolation.

2.2.4 Detailed Assessment of Potential Country Markets

In a third stage, markets that survived the first two rounds of screening need to be assessed in depth. This typically involves more concrete estimates with break-even analyses, contribution margins, cash-flow analyses, investment analyses, risk analyses, sensitivity analyses and pro-forma income statements. While this is the playground of financial wizards, it is important that the expertise of managers from other functional areas, such as manufacturing and marketing, is included in these analyses. The outcomes of such quantitative assessments crucially depend on making the right assumptions. Consequently, a multitude of perspectives usually has a positive influence on the quality of assumptions.

Using decision trees, including estimates of event risks impacting the outcome of the financial analyses, is helpful for guiding the discussion of senior management. Particular emphasis should be placed on questioning assumptions that underlie purely quantitative assessments. Indeed, quantitative and qualitative assessment should always go hand in hand. Cultural, institutional and other environmental differences could challenge the transferability of assumptions that are taken for granted in the home market.

Although the analyses described are all based on secondary data, there is no substitute for following this up with a personal visit to size up a potential market firsthand. As the fourth and final stage of a market selection, a personal market visit should confirm (or contradict) assumptions regarding the market potential and other important factors and should gather additional data necessary to reach the final go/no-go for a market entry decision. There are certain kinds of information that simply cannot be obtained from secondary sources alone. For example, an international marketing manager may have a list of potential distributors. He or she may have corresponded with distributors on the list and formed some tentative idea of whether they meet the company's criteria. It is difficult, however, to negotiate a suitable arrangement with international distributors without actually meeting face to face to allow each side to appraise the capabilities and character of the other party. Another reason for a visit to a potential market is to develop a marketing plan, usually in co-operation with the local agent or distributor.¹⁴

¹⁴ Keegan and Schlegelmilch (2001).

2.3 Assessments Based on Primary Data

2.3.1 The Complexity of Global Marketing Research

Conducting primary marketing research in international markets poses many additional challenges compared to domestic market research. This already starts with deciding what data to collect. In addition, there may be challenges in the design and methodology phase of international research studies. Thus, while the international research process comprises the same steps as traditional research, it is considerably more complex. Figure 2.1 presents the main steps involved.

2.3.2 From Research Objectives to Recommendations

The research process starts with the specification of the problem that will be investigated.¹⁵ The research question needs to be formulated in order to gain a clear understanding of which information is needed and must be collected, and at what level.¹⁶ For instance, the research can be used to gain a better understanding of brand awareness on a regional basis or to investigate a local pricing strategy of products compared to international pricing. If the research objective is not clearly spelled out, the whole research process may fail.¹⁷

Subsequently, details of the research procedure have to be determined and decisions have to be made concerning the “operationalization of the constructs (variables), the selection of items, and the response format”.¹⁸ The target population and the sampling frame have to be defined to select the right sample. To be able to design the research methodology, researchers need to be aware of the many different data collection possibilities, such as qualitative, quantitative, face-to-face interviews, online focus groups or mail surveys. In research conducted globally, it is critical to pay attention to detail such as instrument translation (and back translation), primary research methods, etc. In some countries, for example, collecting data via electronic surveys is still hampered by a low penetration rate of the Internet. If research is conducted across various countries, it may not be possible to apply the same methods. In such cases, potential method bias may cause a problem.

Next, the data from the fieldwork has to be edited and coded before it can be analyzed and interpreted. This will then be followed by writing a final report for the management along with giving strategic recommendations on how to use the information and how to proceed.¹⁹ The report must answer the research question

¹⁵ Malhotra et al. (2012).

¹⁶ Craig and Douglas (2005).

¹⁷ Young and Javalgi (2007).

¹⁸ Hester et al. (2005).

¹⁹ Craig and Douglas (2005).

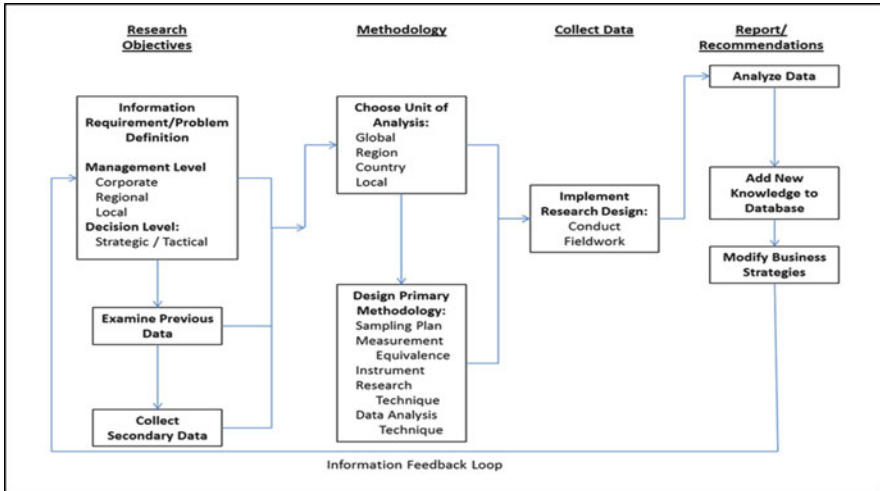


Fig. 2.1 Global marketing research process. *Source:* Young, R.B., & Javalgi, R.G. (2007). *International Marketing Research: A Global Project Management Perspective. Business Horizons*, 50(2), 113

and the problem that was identified previously and include a description of which approach was used.²⁰

2.3.3 Data Equivalence in Global Marketing Research

One of the key issues in global marketing research is to ensure that data from different countries have the same meaning, the same level of accuracy and the same reliability. This gives rise to a number of issues. Figure 2.2 illustrates the key aspects of data equivalence.

At the outset of any cross-cultural research, attention needs to be placed on the equivalence of the research topics. This breaks down into three issues: the functional, conceptual and category equivalence.

The standard example for functional equivalence is bicycles. In the USA, for instance, bicycles are mainly used for recreation, while in India and many other countries, they are mainly viewed as a basic mode of transportation. Among others, this implies that the relevant competing product set must be defined differently. In the USA, it will include other recreational products such as tennis rackets or golf equipment, while in India it will include alternative modes of transportation such as public transportation.

²⁰ Malhotra et al. (2012).

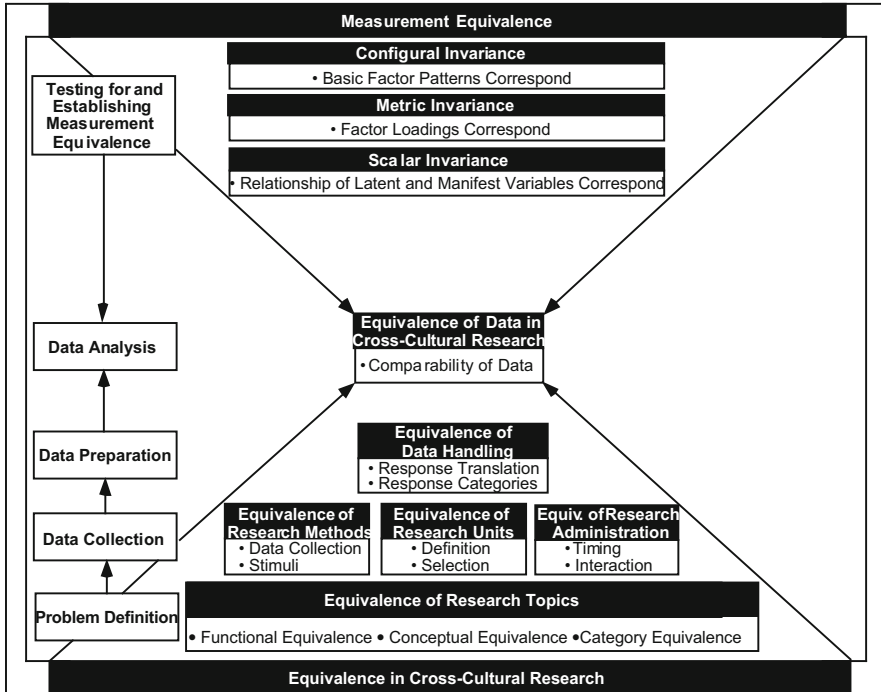


Fig. 2.2 Equivalence in global marketing research. *Source:* Salzberger T., Sinkovics R., & Schlegelmilch B.B. (1999). Data Equivalence in Cross Cultural Research: A Comparison of Classical Test Theory and Latent Trait Theory Based Approaches. *Australasian Marketing Journal*, 7(2), 3

Next, the conceptual equivalence of measures needs to be ensured. This form of equivalence captures whether individuals place the same interpretation on objects, stimuli or behavior and express them in similar ways in different cultures.²¹ The definition of product quality, for example, may be different for a European consumer to one in the emerging markets.

The final issue in examining the equivalence of the research topic focuses on category equivalence, i.e., on where objects or other stimuli are placed. For example, product class definitions may differ between countries. What is considered a soft drink, as well as forms of soft drinks such as canned or bottled sodas, mineral waters, fruit juices, iced tea and powdered and liquid fruit concentrates, vary significantly from one culture to another. In addition, the characteristics or attributes perceived by customers as relevant for evaluating a product or product class may also differ from one country to another.²²

²¹ Sears (1961).

²² Craig and Douglas (2005).

Once the equivalence of research topics has been examined, the next step is to consider equivalence aspects of data collection. For instance, the reliability of different sampling and survey administration procedures may vary from one country to another. While in most industrialized countries telephone directories are readily available, in developing countries no such sampling frames exist, and different procedures such as block sampling may be needed.

Turning to data collection, language is the most obvious challenge that researchers face in global marketing research. Not only are there differences in figures of speech across countries and different languages, but also with the same language within a country. For example, in Japanese, there is no equivalent term for the word “husband”. A cell phone is called ‘mobilnik’ (mobile phone) in Moscow, ‘trubka’ (phone receiver) in the North-Western region of Russia and ‘sotka’ (cell phone) in East Siberia.²³

Furthermore, the experiences of the respondents concerning the measurement instruments may differ.²⁴ Differences in literacy rates may have to be considered in the countries under investigation. In India, for example, the literacy rate is only 63 % and in other developing countries like the Central African Republic and the Ivory Coast, only half the population is literate; in Ethiopia less than 35 % of the population can read and write.²⁵ This makes conducting mail surveys unfeasible and using a face-to-face approach may be the best method for data collection. On the other hand, in several Middle-Eastern countries, women would not agree to being interviewed by a man.²⁶ Thus, the research process itself needs to be adapted to the idiosyncrasies of the respective markets.

Despite researchers’ best efforts to achieve equivalence during the problem definition, data collection and data preparation stages, it remains an empirical issue whether data equivalence is achieved or not. This can be tested with two fundamentally different approaches: first, a multiple group confirmatory factor analysis (CFA);²⁷ and second, latent trait theory (LTT), also referred to as item-response theory (IRT).²⁸ The CFA approach attempts to establish whether there is structural identity of the construct measured across cultures, which is necessary and sufficient for conducting mean comparisons. In this context, three increasingly stringent levels of cross-cultural invariance may be distinguished, each allowing different types of comparisons: *configural invariance*, *metric invariance*, and *scalar invariance*.

The much less frequently used LTT approach offers an alternative to the CFA. “The peculiarity of LTT models lies in the fact that both the person parameter and the item location parameter are scaled onto the same dimension. Consequently,

²³ Milekhin (2011).

²⁴ Schaffer and Riordan (2003).

²⁵ United Nations Statistics Division (2012).

²⁶ Javalgi et al. (2005).

²⁷ Hom and McArdle (1992) and Joreskog and Sorbom (1982).

²⁸ Hambleton et al. (1991).

persons and items are directly comparable.”²⁹ More specialized literature should be consulted for a detailed description of the various levels of measurement equivalence to be tested through CFA approaches³⁰ and a discussion of LTT based approaches.³¹

Some researchers are reluctant to engage in such rigorous and relatively sophisticated data equivalence testing. However, even where the outcome is that the data does not support comparability, such results should be highly valued as they have far-reaching consequences for subsequent studies. In any event, at a minimum, any cross-national research needs to consider facets of equivalence which can only be assessed qualitatively, i.e., the equivalence of research topics, data collection and data preparation.³²

2.3.4 Emic or Etic Approach

In international comparisons, “data should have the same meaning across those countries, because inequivalent or biased information leads to ambiguous or even erroneous conclusions.”³³ For example, equivalence is essential when selecting samples and designing and administering surveys. If these methodological issues are ignored, researchers run a high risk of obtaining results and interpreting findings that are inconclusive and misleading.³⁴ However, the comparability of data from different countries is one of the most challenging issues in global marketing research. “Respondents from different countries are ingrained in distinct cultures, comprising of unique patterns of socio-cultural behaviors, relevant values and psychological attitudes and traits”.³⁵

To deal with these issues, it must be determined at the outset whether to use an emic or etic perspective when conducting a study.³⁶ Along with this, it must be established how culture will be defined and treated in general. This provides the basis of the research and helps to define whether unique aspects of a culture will be taken into consideration or not. An emic or an etic approach can be seen as the two ends of a continuum of the methodology of global marketing research.³⁷

An emic approach looks at a certain construct or variable (e.g. obesity or trust) from within a particular culture and tries to understand it the way people from within this specific culture understand it. Thus, this approach deliberately takes a

²⁹ Salzberger et al. (1999).

³⁰ Steenkamp and Baumgartner (1998).

³¹ Salzberger et al. (1999).

³² Salzberger et al. (1999).

³³ Herk et al. (2005).

³⁴ Schaffer and Riordan (2003).

³⁵ Sinkovics et al. (2005).

³⁶ Schaffer and Riordan (2003).

³⁷ Sinkovics et al. (2005).

subjective insider viewpoint and emphasizes culturally specific meanings. This end of the continuum is based on the idea that certain behavior and viewpoints are distinctive for a culture and can be best understood in their own terms.

The etic approach attempts an objective, researcher-oriented outsider view and “employs broader comparative analyses involving two or more cultures”.³⁸ This approach comprises a construct of interest that is being studied and compares it explicitly across different cultures using characteristics that are determined in advance. At its core is the idea that universal behavior and viewpoints have to be identified and measured. In business related research, the etic approach is far more common than the emic approach. In fact, in a sample of cross-cultural studies, only 6 % used an emic approach.³⁹

The costs of international research can be reduced if constructs are considered to be generalizable across all the cultures under consideration. However, the drawback of this approach is that emics specific to each country are not taken into consideration. For example, what may be considered obese may differ between cultures. Hence, the researcher might compare countries and generalize findings to other locations although in reality, differences may reflect underlying cultural factors. Thus, ignoring the country-specific emics by using a strictly etic approach in cross-cultural research can lead to biased outcomes and decision making.

To strike a reasonable compromise, a combined emic-etic approach has been proposed.⁴⁰ This combined emic-etic approach suggests obtaining emic knowledge of each of the cultures being studied in order to reduce cultural bias. These newly gained insights into the individual cultures can then be used to compare them and make “cross-cultural links between the emic aspects of each culture”⁴¹ and will form a sound basis to determine where further etic comparisons are appropriate.

2.4 Global Marketing Information Systems

Rather than collecting data afresh each time an information need arises, companies set up information systems that integrate different types of data, such as financial, manufacturing, sourcing, distribution and, of course, marketing data. The advances made in information technology continue to drive the sophistication of such information systems, and aid increasingly sophisticated company intranets, groupware, or internal Wikis. In turn, this has contributed to a flattening of organizational structures of many MNCs and permitted the outsourcing of business functions and networking between organizations that are internationally dispersed. Easier access to data worldwide also enables companies to assess and serve customer needs in diverse parts of the world.⁴²

³⁸ Sinkovics et al. (2005).

³⁹ Schaffer and Riordan (2003).

⁴⁰ Schaffer and Riordan (2003).

⁴¹ Schaffer and Riordan (2003).

⁴² Craig and Douglas (2005).

“Within MNCs, the traditional role of headquarters as the prime source of knowledge and competencies is changing. Increasingly, headquarters act as a receiver of knowledge from their internationally dispersed subsidiaries.”⁴³ In addition to company internal data, external data both from primary and secondary sources is captured routinely. Secondary data typically provides information on the macro-environments of countries or regions, such as general economic development, growth, political risk but also industry and product specific data. Primary data can, for example, originate from specific research projects, such as usage and attitude studies carried out in different countries. Experiences of product launches or promotional activities may also be captured to disseminate best practice to operations in different countries.

Global marketing information systems need to integrate these different types of information across different geographies. The aim is to provide timely and relevant information that can be used for four key purposes⁴⁴:

- Monitoring environmental trends in different parts of the world which may have implications for current or future operations
- Assessing the appropriateness of resource allocations across different countries, products, etc. in the light of changing market trends
- Monitoring and benchmarking performance in different countries and product markets to identify problems as well as opportunities for future growth
- Transferring experience, ideas and know-how between different markets to identify and disseminate best practice worldwide

2.4.1 Challenges in Designing Global Marketing Information Systems

Marketing information systems are part of a company’s knowledge management system. To this end, they contribute substantially to the competitiveness of corporations. Not only is the relevance of knowledge as an important corporate resource well recognized,⁴⁵ scholars even depict MNCs as knowledge-integrating institutions.⁴⁶ In fact, the very existence of an MNC lies in its ability to internalize externalities by putting together resources and activities at a more efficient rate than markets do.⁴⁷ The argument that firms create value through combining dispersed knowledge fits this perspective well.⁴⁸ Thus, the importance of designing information systems on a global scale can hardly be overemphasized.

⁴³ Ambos et al. (2006).

⁴⁴ Craig and Douglas (2005).

⁴⁵ Conner and Prahalad (1996), Davenport (1998) and Grant (1996).

⁴⁶ Kogut and Zander (1993).

⁴⁷ Buckley and Casson (1976).

⁴⁸ Ambos et al. (2006).

Designing efficient and effective knowledge management systems in general and marketing information systems in particular, is tremendously challenging. This applies even more to designing systems that integrate information across different countries. More often than not, a key issue is that there is simply too much information available from different geographies. Thus, systems need to be designed to avoid information overload and to ensure that the managers at different levels and in different functions are getting relevant and timely information. Thus, the information made available needs to be tailored to the specific requirements of the managers. For example, information required for making major strategic decisions, such as market entry decisions, and information-steering tactical decisions, such as adjusting prices in existing distribution channels, usually have different recipients.

Another issue is, once again, data compatibility and equivalence. Different countries typically have different data collection procedures, accounting practices, and currencies, etc. Even seemingly simple measures, such as the number of units sold, may be misleading. Cars, for example, frequently require modifications to conform to specific national regulations or standards and thus entail different costs. To this end, adding units sold in different countries is like adding apples and oranges. Trying to circumvent such issues by using monetary units can also cause problems. Price differences may reflect differences in taxation, be influenced by transfer price practices and are subject to exchange rate fluctuations.⁴⁹

Given the differences in data formats between countries, an information system needs to define a reporting format, which ensures that data can be compared across countries. This burdens local operating units with conforming to uniform international formats when entering data. If the data collected are primarily used for control purposes, little feedback is given by headquarters and little use is made of the information at local level, this may cause considerable resistance at local level. Particularly in highly decentralized operations, there may be limited incentives to exchange information with other organizational units. This, of course, runs counter to the need to develop and coordinate strategies across country markets.⁵⁰

A final issue to be mentioned is the maintenance of the system. This not only refers to obtaining and entering data on a regular basis, but also to purging old information. The consequences of faulty data can be severe for a business, as “75 % of organizations have identified costs stemming from dirty data.”⁵¹ For managers who have to shape global information systems, it might also be worth noting that more information inflow does not necessarily lead to more benefits. Headquarters managers should ensure that the information collected receives adequate organizational attention.⁵² The ease of reporting and accessing data are therefore important hallmarks of a good marketing information system. A simple but effective structure has been suggested by Craig and Douglas (Table 2.3).

⁴⁹ Craig and Douglas (2005).

⁵⁰ Ghoshal (1997).

⁵¹ Marsh (2005).

⁵² Ambos et al. (2006).

Table 2.3 Possible structure for market research information

	City	Intra-country	Country	Region	World
Macro-economic data					
Product market data					
Company specific data					

Source: Craig, S.C. & Douglas, S.P. (2000). *International Marketing Research*. (2nd edition). Chichester: Wiley, 354

2.4.2 New Tools for Global Data Collection

New technologies, which are driving internationalization, present the designers of marketing information systems with new possible approaches and tools. These can be used to overcome some of the challenges and obstacles described above. Many companies increasingly take advantage of the vast amount of data routinely gathered through call centers, loyalty card programs, social network archives or e-business and include them in their marketing information systems. Using these possibilities allows companies to reduce the time they spend on collecting data across different countries and geographic distances. New instruments to obtain primary data also give rise to interesting new possibilities to undertake “greater cross-national enquiry than has been the case to date and to enhance such studies, both in terms of data collection methods and comparative analysis.”⁵³

Social media, for example, has changed the approach to data collection. Interviews to gather consumer opinions can partly be replaced by routinely monitoring how people interact with each other and what opinions they state on social media, blogs, etc. This implies that one gets “a new set of qualitative and quantitative information that tends to be very insightful regarding how people think about a specific subject and how they react to any kind of marketing initiative.”⁵⁴

Supporters of research based on social media put forward that it has a great impact on understanding consumer behavior and offers powerful benefits. “It is people-led, not researcher-led and thus more authentic; the volume of online chatter dwarfs what’s available through traditional research;” [it is like] “listening to online conversations that are naturally occurring—without guidance, facilitation, interruption or stimulation.”⁵⁵

This user-generated content is the essence of the true potential the internet presents. The insight team of the Coca-Cola Company realized this potential to get a quick snapshot of the consumers’ attitudes and remarked that it is possible to

⁵³ Loane et al. (2006).

⁵⁴ Murphy (2010).

⁵⁵ Siama (2011).

generate a report that normally takes weeks and high expenditure within a few minutes.⁵⁶ User-generated content provides the researchers with a deep insight into the motivation behind consumers' behavior and their attitudes. It provides an insight into their daily behavior and practices, for example, their brand relationships.

Social media also makes it possible to create new kinds of online research communities. Respondents interact not only with the researcher, but also among themselves and where possible, even the clients can become involved.⁵⁷ EasyJet, for instance, created an online community, only for invited participants, for its entire business across different countries. Every week, new questions and topics are introduced and results are presented the following week. Its main aim is to gain qualitative insights, but it is also used to conduct polls and quick surveys to back up data.

An interesting application of electronic media has been reported by Hosoe.⁵⁸ Participants document their purchase behavior as it is happening by taking pictures and sending messages about their current experience. This records the consumption behavior of respondents as 'data in progress', as images and texts are recorded and transferred via the internet directly to a database. Researchers can then analyze this data in real-time, posing questions if necessary. Capturing data instantaneously as it occurs provides researchers with a new picture of consumption phenomena. This advantage, of course, is enhanced in a global environment in which even more diverse purchase and consumption situations are encountered and the underlying motivations and lifestyles of people might vary significantly. Having access not only to textual data but also pictures taken by respondents in their daily routine can show differences in cultures even more clearly. This allows for an analysis and presentation of results that is more thorough, providing the relevant input for more sophisticated decision-making.

The ability to take pictures and video combined with the possibility to access the internet makes mobile phones a unique data collection tool for international marketing research. Especially at a global level, this makes conducting research considerably simpler and more convenient for the respondents as well as the researchers. By being able to gain specific insights into the lives of participants across countries without being restricted in time and location represents a substantial advance in facilitating international marketing research.

To what extent new data-gathering tools and approaches will be embedded in routine global marketing information systems remains to be seen. However, it is already evident that such new tools will greatly enhance the ability to collect data across countries, increase the quality of the data, and make data available in real-time. Ultimately, the use of data routinely generated through call centers, loyalty card programs, social network archives or e-business activities and the scope for

⁵⁶ Siama (2011).

⁵⁷ Cooke and Buckley (2008).

⁵⁸ Hosoe (2005).

incorporating data gathered in real-time via mobile phones is only limited by our imagination.

2.5 Summary

This chapter looks at the assessment of global marketing opportunities. The term assessment is interpreted widely, in that it may concern the selection of a first export market for an international novice or the transfer of global marketing information within the knowledge management network of an established MNC. Initially, the wide variety of secondary data useful for assessing different country markets is reviewed and difficulties in comparing secondary data across countries are highlighted. As most corporations neither have the need nor the resources to gather and evaluate data from every country of the globe, a stepwise procedure for assessing and selecting potentially interesting country markets is suggested. The core element of this four-step procedure is a flexible scoring model that can be adapted to the specific requirements of a corporation and offers a means to systematize a country assessment and selection process.

Next, the discussion focuses on the collection of primary data. Different steps involved in the global marketing research process are introduced, ranging from problem definition to reporting the results. As one of the key issues in global marketing research is to ensure that data from different countries have the same meaning, the same level of accuracy and the same reliability, emphasis is placed on different aspects of equivalence in global marketing research. Ultimately, it has to be recognized that not every construct can be meaningfully compared across cultures, which leads to the debate of emic versus etic perspectives in global marketing research.

The final part of the chapter looks at the design of global marketing information systems for corporations with an established network of international operations. Such marketing information systems form part of an overall knowledge management approach of MNCs. The importance of such systems cannot be overemphasized, as they drive an MNC's ability to exploit locally-created knowledge worldwide and hence increase the competitiveness of a corporation. There appears to be no single best way of gathering and transferring marketing knowledge. Indeed, overloading managers with information is a potential problem. Consequently, the information provided must be tailored to the needs of the managers receiving this information and their capabilities to manage knowledge. The chapter closes with a brief look at new tools for global data collection.

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