International Marketing

BMA6100-20

International Market Selection

From the last lecture

- Discussing the history of trade and key international institutions.

- Some key terms that we should know if we trade internationally.

- Challenges , and differences between domestic and international marketing.

- The entire internationalisation process.

What is in this lecture?

- The first question is 'which market to enter?'. We are interested to enter the most attractive markets. So how should this be assessed?

- You will learn some techniques and approaches in estimating the market size.

- This is also very important to apply in the Country Manager.

Selling semi-conductor in China
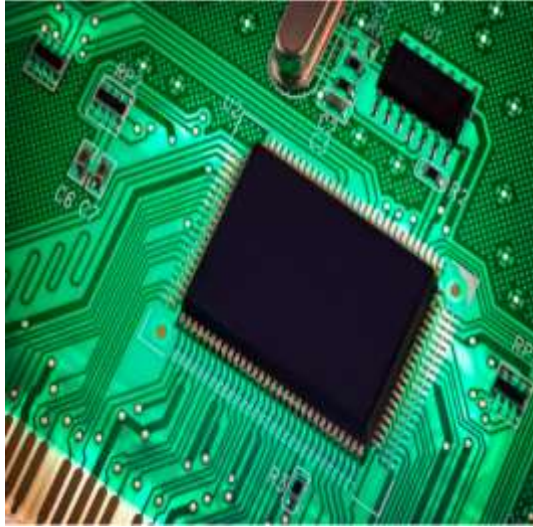
Selling Bathing Suite in Brasil

Selling Sunglasses in South Korea

Start by broad data: i.e., total population

Reduce by target demographics
(**Total Accessible Market**)

What % needs your product?

Reduce by alternatives or substitutes products

Preliminary market size
Total Addressable Market

The Funnel Approach

TAM for selling bathing suite in Brasil
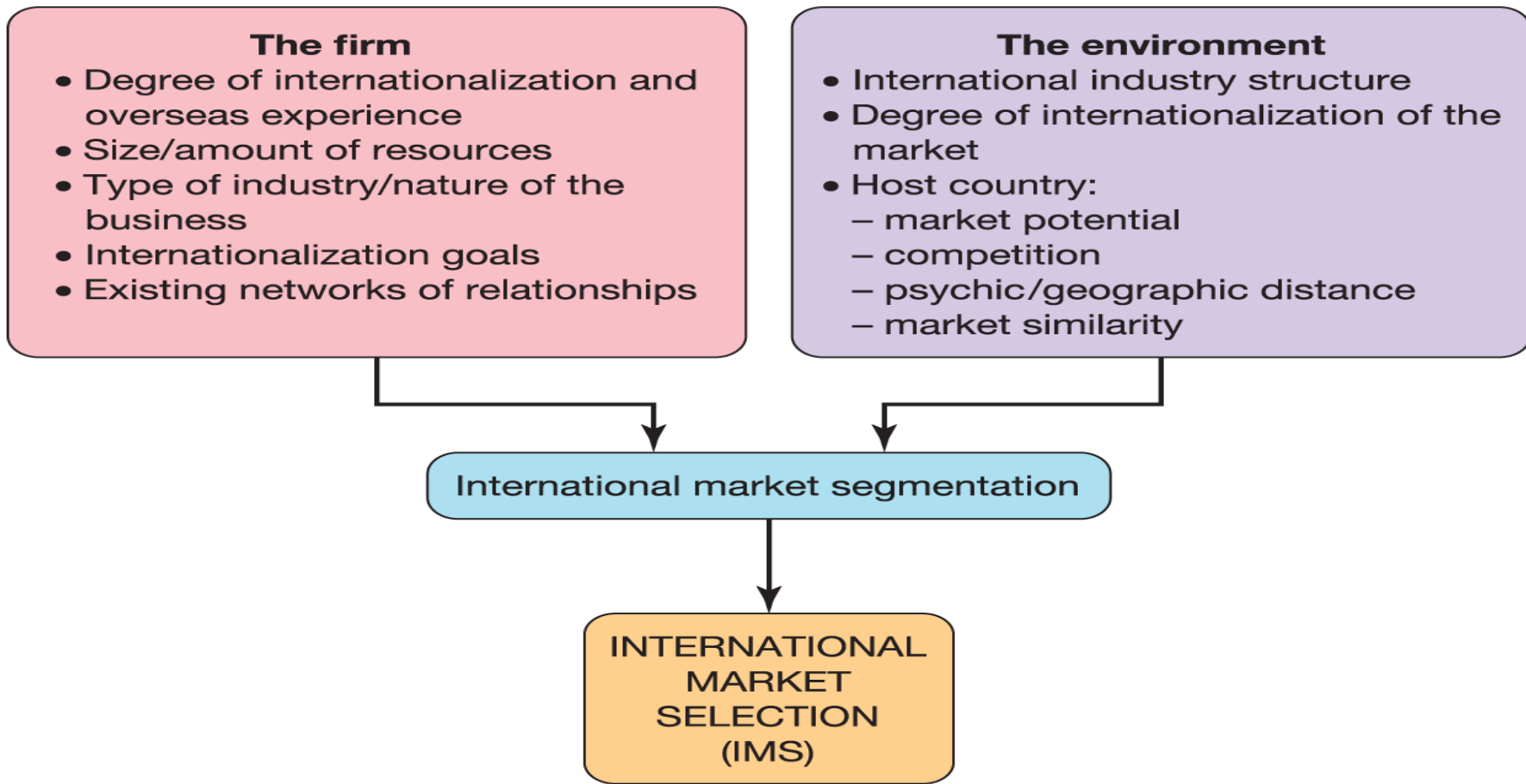
Total Accessible Market (TAM)

- Start by population in Brasil (Quickly done in Google search)

- What is our targeting strategy? If we target 15-49 years olds, what is their population? (possible source: secondary data , Market Research Agencies, census data).

Total Addressable Market

- What percentage need our product?

- Is there any substitute product for bathing suite?

- Brasil Population (209m)

- Population (14-49) is about 106m. (This is Total Accessible Market)

- 70 % of Brasilians live in coastal states (that means 30% don't !)

- 75% of population go to beach regularly (that means 25 % don't !)

- 106 - (106 * 30%) = 74.2 m

- 74.2 – (74.2 * 25%) = 55.6 m is our Total Addressable Market

- **Potential Market Value = Price * Total Addressable Market**

The firm
- Degree of internationalization and overseas experience
- Size/amount of resources
- Type of industry/nature of the business
- Internationalization goals
- Existing networks of relationships

The environment
- International industry structure
- Degree of internationalization of the market
- Host country:
  – market potential
  – competition
  – psychic/geographic distance
  – market similarity

International market segmentation

INTERNATIONAL MARKET SELECTION (IMS)

Potential determinants of the firm's choice of foreign markets (Hollensen,2017, extracted from Uppsala school)

International Market Segmentation Steps

The firm   Environment

Step 1 — Selection of the relevant segmentation criteria

Step 2 — Development of appropriate segments

Step 3 — Screening of segments to narrow down the list of markets/countries Choice of target markets/countries

Step 4 — Microsegmentation: develop segments in each qualified country or across countries

Market entry
How many markets?
When?
Sequence?

General characteristics
Geographic
Language
Political factors
Demography
Economy
Industrial structure
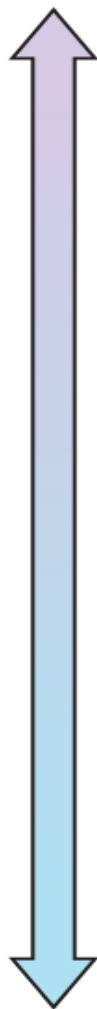Technology
Social organization
Religion
Education

Specific characteristics
Cultural characteristics
Lifestyle
Personality
Attitudes and tastes

High degree of measurability, accessibility and actionability

Low degree of measurability, accessibility and actionability (however, high degree of relevance in specific situations)

Criteria	Weights	Multiplied with the score (rating) on a scale of 0–4[a]	Overall BERI index[b]
Political stability	3		
Economic growth	2.5		
Currency convertibility	2.5		
Labour cost/productivity	2		
Short-term credit	2		
Long-term loans/venture capital	2		
Attitude towards the foreign investor and profits	1.5		
Nationalization	1.5		
Monetary inflation	1.5		
Balance of payments	1.5		
Enforceability of contracts	1.5		
Bureaucratic delays	1		
Communications: phone, fax, internet access	1		
Local management and partner	1		
Professional services and contractors	0.5		
Total	25	× 4 (max.)	= max. 100

[a] 0, unacceptable; 1, poor; 2, average conditions; 3, above average conditions; 4, superior conditions.

[b] Total points: > 80, favourable environment for investors, advanced economy; 70–79, not so favourable, but still an advanced economy; 55–69, an immature economy with investment potential, probably a newly industrialized country (NIC); 40–54, a high-risk country, probably a less developed country (LDC) – quality of management has to be superior to realize potential; < 40, very high risk – would only commit capital if there were some extraordinary justification.

Assessing the political risks

- www.fitchsolutions.com/bmi-research (Business Monitor International)

- www.eiu.com (Economist Intelligence Unit)

International market segmentation for Bosch Security System: Fire Detection Systems in the Middle East

- In 2006, Bosch Security Systems decided to increase its market share in the Middle East for fire detection products.

- Smoke and heat detection, signalling devices, fire sound alarms, manual calling points, fire paging systems. LED indicators for emergency exits.

- Countries: Egypt, Iran, Kuwait, Oman, Jordan, Saudi Arabia, UAE, Qatar

Bosch Security Systems: IMS in the Middle East for fire detection systems (Continued)

Market attractiveness (MA)			
Score	1	3	5
Economic position (GDP per capita, US$)	0–10,000	11,000–20,000	≥ 21,000
Market focus (quality or price)	Price	50/50	Quality
Construction – planned construction projects (billion-dollar projects)	0–5 projects	6–10 projects	≥ 11 projects
Market size fire business (€)	0–10 million	11–20 million	≥ 21
Market growth fire business	0–4%	5–9%	≥ 10%
Number of fire installers/dealers	0–15 dealers	16–30 dealers	≥ 31 dealers
Fire safety awareness (scale 1–10)	1, 2, 3, 4	5, 6, 7	8, 9, 10
Top verticals[a] that comply with EN standard[b]	1–2 verticals	2–3 verticals	> 3 verticals
Percentage of the market that can be served with CE[c]-certified products	0–33%	34–66%	67–100%
Exclusiveness of partnerships	1 exclusive dealer	1 premium dealer + supporting dealers	No exclusive regulations
Competitive strengths (CS)			
Score	1	3	5
Local fire experience (€ sales in fire)	< 10,000	10,000–100,000	> 100,000
Local market knowledge (scale 1–10)	1, 2, 3, 4	5, 6, 7	8, 9, 10
Quality of the local business network/contact with authorities	Bad	Moderate	Good
Presence of a local Bosch fire sales representative	No	On short term < 1 year[d]	Yes
Local technical support (front office present)	No	On short term < 1 year	Yes
Contact details available of potential local fire partners	No	Partially	Yes

[a]Verticals: Industry verticals such as tourism (hotels), media, banking, fashion, health care, government.
[b]EN standards (European norms): European standards maintained by the CEN (European Committee for Standardization).
[c]CE, conformité Européenne, which means that the product meets the applicable European Directives.
[d]Local person available within 1 year (3) as opposed to already available (5).

Classification variables in the MACS model

Exhibit 8.1 Bosch Security Systems: IMS in the Middle East for fire detection systems
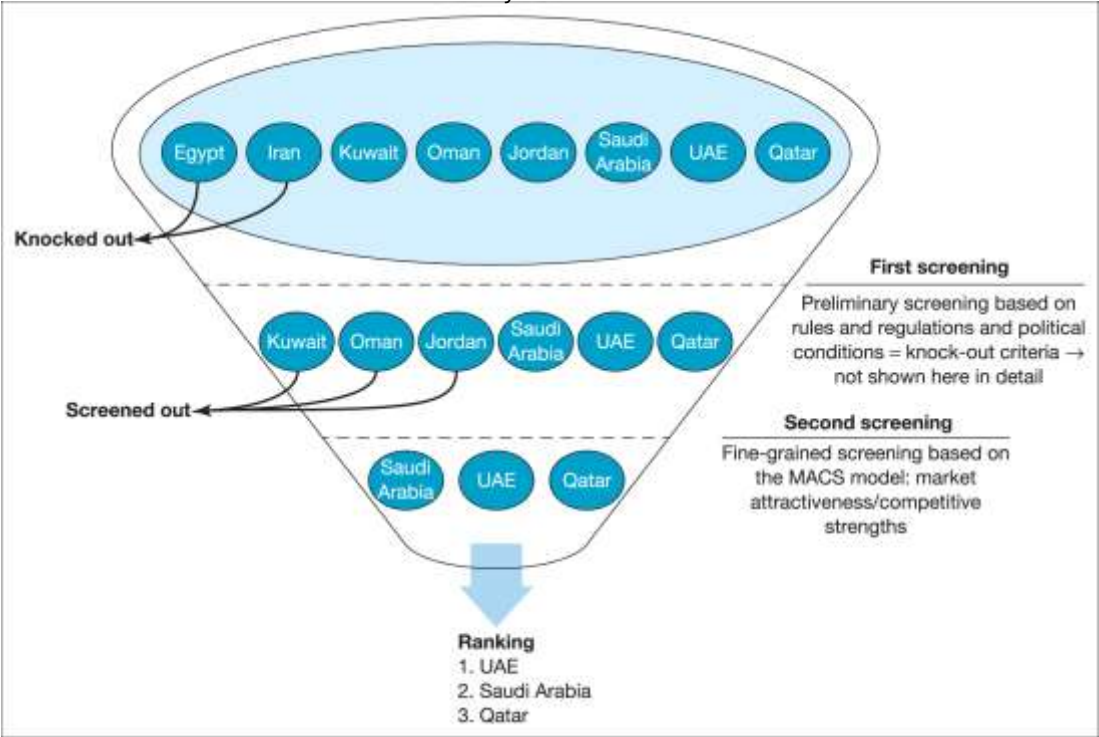

Figure 8.9 International market segmentation for Bosch Security System: Fire Detection Systems in the Middle East

Market attractiveness

	Weight ×	Score Jordan	Kuwait	Oman	Qatar	Saudi Arabia	UAE
Economic position	0.05	0.05	0.05	0.05	0.25	**0.15**	0.25
Market focus (quality/price)	0.05	0.15	0.15	0.05	0.15	0.15	0.25
Construction	0.10	0.10	0.30	0.10	0.30	0.50	0.50
Market size fire business	0.15	0.15	0.45	0.15	0.45	0.75	0.75
Market growth fire business	0.15	0.75	0.45	0.45	0.75	0.75	0.75
Number of fire installers/dealers	0.10	0.10	0.30	0.10	0.30	0.50	0.50
Fire safety awareness	0.05	0.05	0.15	0.05	0.25	0.25	0.25
Top verticals that comply with EN standards	0.15	0.45	0.45	0.75	0.75	0.45	0.75
Percentage of the market for CE certified Bosch fire products	0.15	0.75	0.45	0.45	0.75	0.45	0.75
Exclusiveness of partnerships	0.05	0.15	0.25	0.05	0.15	0.25	0.25
Total	**1.00**	**2.70**	**3.00**	**2.20**	**4.10**	**4.20**	**5.00**

Table 8.4 Measurement/evaluation of screening variables

Exhibit 8.1 Bosch Security Systems: IMS in the Middle East for fire detection systems (Continued)

Competitive strength (CS)

	Weight ×	Score Jordan	Kuwait	Oman	Qatar	Saudi Arabia	UAE
Local experience	0.15	0.45	0.15	0.15	0.15	0.45	0.75
Market knowledge	0.15	0.15	0.15	0.15	0.15	0.45	0.45
Quality of the local business network	0.20	0.20	0.20	0.20	0.20	0.60	0.60
Presence of a local Bosch fire expert	0.20	0.20	0.20	0.20	0.60	0.60	0.60
Local technical support	0.20	0.20	0.20	0.20	0.60	0.60	1.00
Contact details potential partners	0.10	0.30	0.50	0.10	0.50	0.10	0.30
Total	1.00	1.50	1.40	1.00	2.20	2.80	3.70

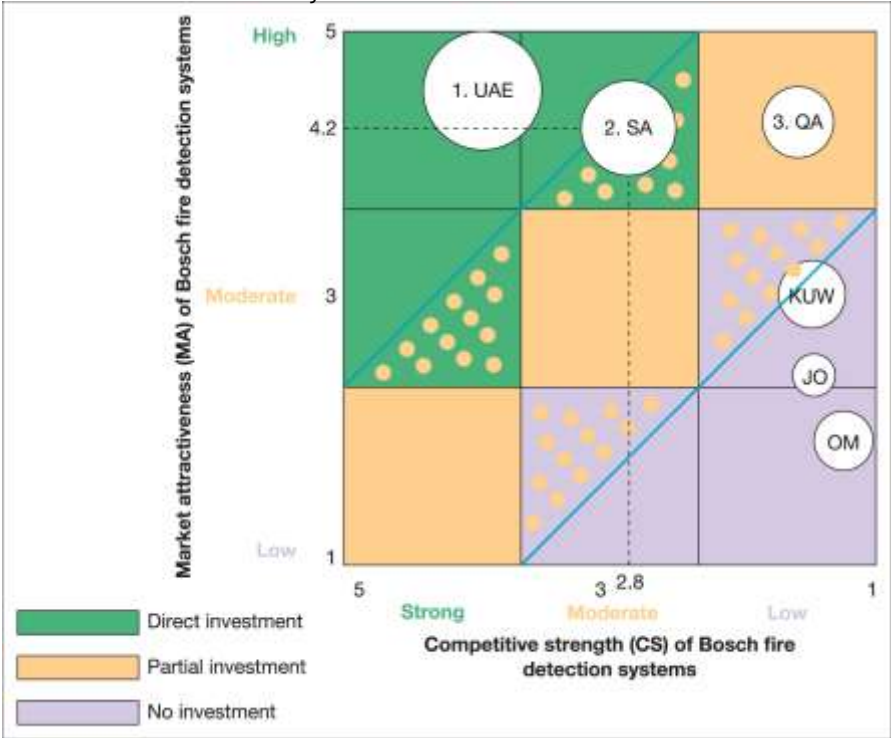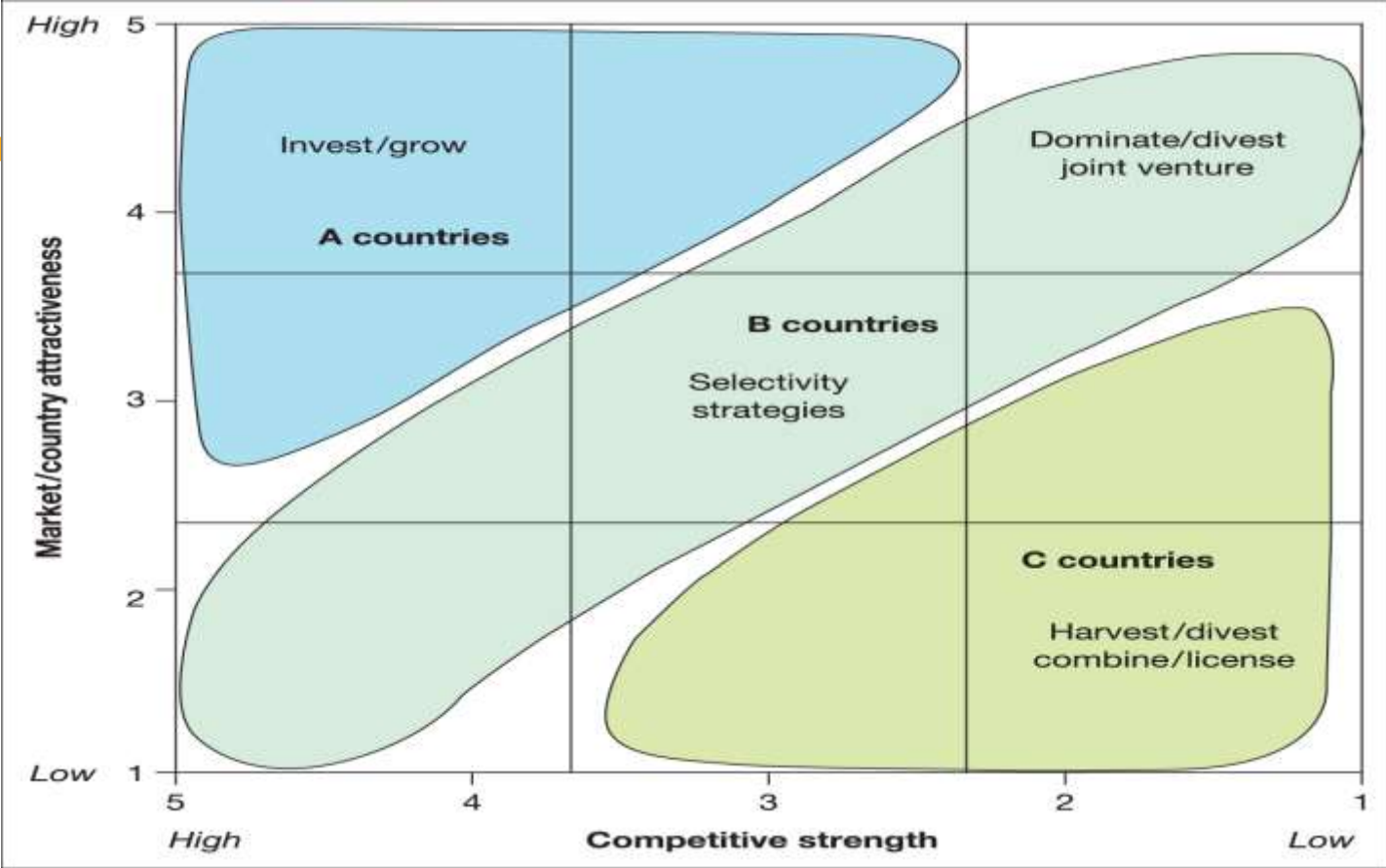Table 8.4 Measurement/evaluation of screening variables (Continued)

Figure 8.10 Bosch Fire Detection Systems MACS matrix

The market attractiveness/competitive strength matrix

Market/country attractiveness	Competitive strength
Market size (total and segments)	Market share
Market growth (total and segments)	Marketing ability and capacity (country-specific know-how)
Buying power of customers	Product's fit to market demands
Market seasons and fluctuations	Price
Average industry margin	Contribution margin
Competitive conditions (concentration, intensity, entry barriers, etc.)	Image
Market prohibitive conditions (tariff/non-tariff barriers, import restrictions, etc.)	Technology position
Government regulations (price controls, local content, compensatory exports, etc.)	Product quality
Infrastructure	Market support
Economic and political stability	Quality of distributors and service
Psychic distance (from home base to foreign market)	Financial resources, access to distribution channels

Dimensions of market/country attractiveness and competitive strength

Time of analysis:
Analysis of product area:
In country:

A. Market attractiveness

	1 Very poor	2 Poor	3 Medium	4 Good	5 Very good	% Weight factor	Result (grading × weight)
Market size							
Market growth							
Buying structure							
Prices							
Buying power							
Market access							
Competitive intensity							
Political/economic risks							
etc.							
Total						100	

Market attractiveness = Result : 100 = ...

B. Relative competitive strength
with regard to the strongest competitor = ...

	1 Very poor	2 Poor	3 Medium	4 Good	5 Very good	% Weight factor	Result (grading × weight)
Products fit to market demands							
Prices and conditions							
Market presence							
Marketing							
Communication							
Obtainable market share							
Financial results							
etc.							
Total						100	

Relative competitive strength = Result : 100 = ...

Underlying questionnaire for locating countries on a market attractiveness/competitive strength matrix

Summary

- We discussed these in today's lecture:

- How should we assess the markets

- The TAM technique

- The international market selection approach, using some examples

- Market attractiveness tools