



# **International Marketing**

**BMA6100-20**

**Market Research in International Markets**



## From the last lecture

- We discussed about the sources of competitive advantage for businesses aiming to enter international markets.
- Analysis of competitive advantage from three levels : micro, meso, macro.



What is in this lecture?

- By the end of this lecture you should be able to:
- Explain how global marketing research is linked to the decision making process.
- Discuss the key problems in gathering and using international marketing data.
- Discuss how to estimate foreign markets potential by using secondary data.

## Estimating the size of the jet markets.



Honda jets enters the small sized business jet markets.

<https://www.youtube.com/watch?v=Wx4lhCqIfnI>

# Estimating the demand

- World GDP growth
- Wealth creation- Morgan Stanley Capital International Index
- No of billionaires – there are 2095 billionaires in the world, of which 614 come from the U.S  
(<https://www.forbes.com/sites/jonathanponciano/2020/04/08/the-countries-with-the-most-billionaires-in-2020/#76242d074429>)
- Penetration rate of business jets in different parts of the world.
- Tendency of fractional ownership
- No of take off and landings.

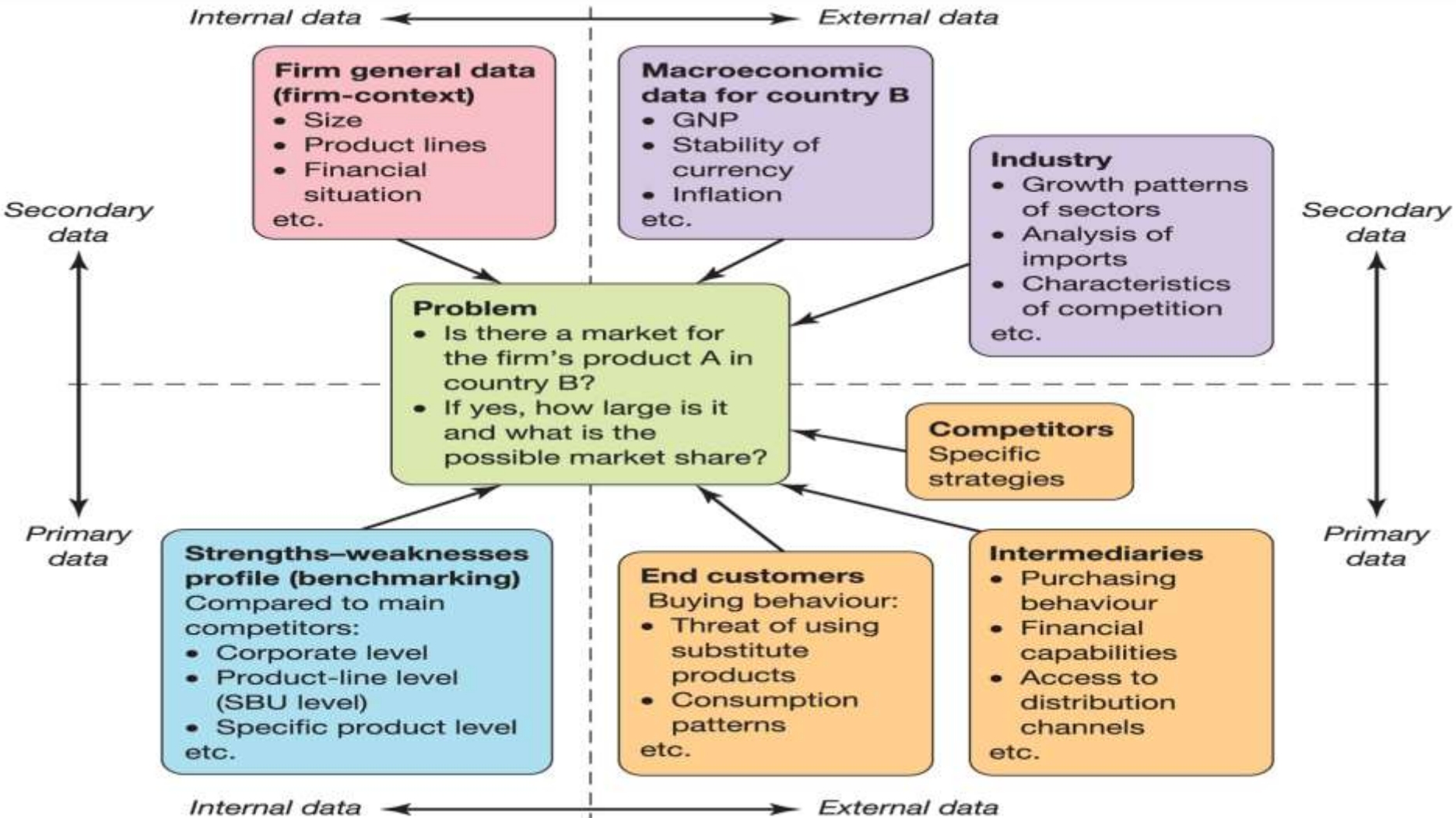
# Estimation of the future market

- In 2017, the worldwide fleet of business jets was approximately 28,774 business jets.
- The total sale per year : New sale + Exchange sale (of business jets going out of the fleet).
- New sale is always hard to predict, but if we assume a commercial lifetime of a business jet of 20 years, then 5 per cent of the fleet will be changed each year:
- Alone for the exchange sale that would mean:  $28,774 \times 0.05 = 1,438$  business jets.
- If we assume that around 10 per cent of this number belongs to the 'small-sized business jets' segment, we can conclude that the sales in this segment would be:  $1,438 \times 0.10 = 143$  business jets per year

# Information for the major global marketing decisions

Global marketing decision phase	Information needed
1. Deciding whether to internationalize	Assessment of global market opportunities (global demand) for the firm's products Commitment of the management to internationalize Competitiveness of the firm compared with local and international competitors Domestic versus international market opportunities
2. Deciding which markets to enter	Ranking of world markets according to market potential of countries/regions Local competition Political risks Trade barriers Cultural/psychic distance to potential market
3. Deciding how to enter foreign markets	Nature of the product (standard versus complex product) Size of markets/segments Behaviour of potential intermediaries Behaviour of local competition Transport costs Government requirements
4. Designing the global marketing programme	Buyer behaviour Competitive practice Available distribution channels Media and promotional channels
5. Implementing and controlling the global marketing programme	Negotiation styles in different cultures Sales by product line, sales force customer type and country/region Contribution margins Marketing expenses per market





# Secondary data in foreign markets

- Non availability of data
- Reliability of data
- Data classification
- Comparability of data
  
- Example of secondary data source for foreign markets:  
<https://www.cia.gov/the-world-factbook/>
- EuroMonitor Database

# Estimating foreign market potential using secondary data

- Proxy indicator technique
- Chain ratio method
- Lead lag analysis
- Estimation by analogy

# Proxy Indicator Technique

- This technique is used when there is no direct measure available,. Instead indirect variable is used as surrogate or proxy.
- Example
- If consumption of washing machine is not available in a country, we can use consumption of a proxy indicator, such as refrigerators, or even televisions.

# Chain Ratio Technique

A method of calculating total market demand for a product by using several percentages in order to reduce a base population to the relevant target group and the final realistic demand.

# Example of Chain Ratio Technique

## Market potential for washing machines in Thailand

Household size: 17.6 m

Percentage of households having electricity: 82%

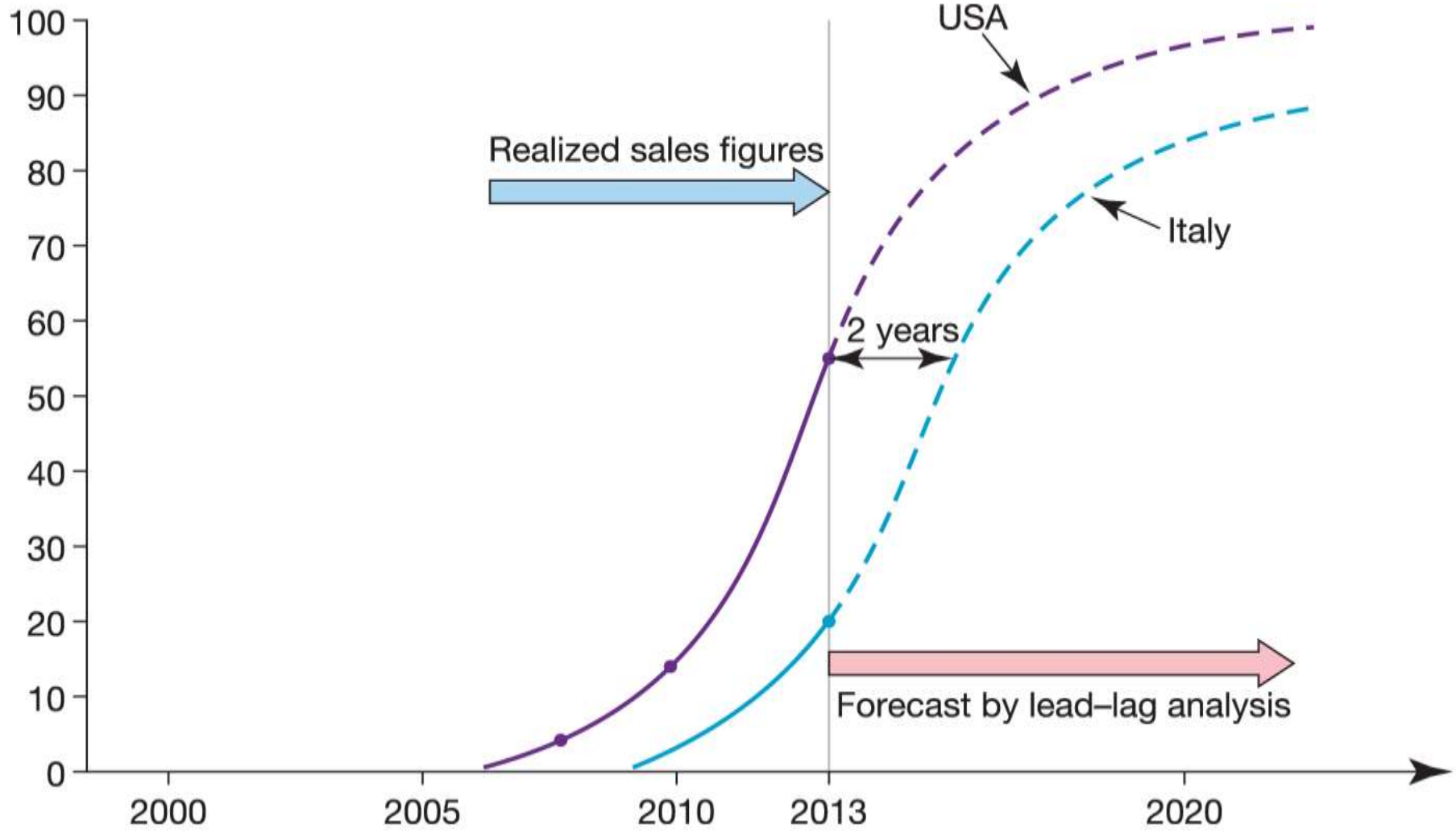
Percentage of households having running water supply: 50%

Market potential=  $17.6 \times 0.82 \times 0.50 = 7.2$  million

# Lead Lag Analysis

- Using time-series data from one country to predict sales in other countries.
- This technique assumes that determinants of demand in two countries are the same, and that only time separates them.

% of households with VOD



Realized sales figures

USA

Italy

2 years

Forecast by lead-lag analysis



# Estimation by Analogy

- A correlation value between a factor and the demand for the product for one market is used in another international market.
- We want to estimate the demand for refrigerators in Germany, but we don't have data. Instead we have data in the UK. We estimate that population could be a good correlation factor.
- UK population: 65 million
- Germany population: 80 million
- No of refrigerators sold in the UK: 2 million units
- $(80/65) \times 2 = 2.46$  million units



# Other Types of Market Research

- Ad hoc research: Collecting data at one point in time from one sample of respondents. Examples: usage and attitude studies
- Custom designed studies: Designing the research brief and asking the marketing research agency to collect data.
- Omnibus studies: A research agency target specific segments in particular foreign markets. They collect data on a wide variety subjects. Clients will then pay to purchase data analysis.

# Summary

- Discussed the challenges of collecting data in international markets.
- Estimation techniques when data is not available.
- The importance of using agencies in gaining market insights.