INTERNATIONAL BUSINESS CASES: IS MARKETING MISSING?

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ABSTRACT

This chapter analyses example cases in international marketing from the standpoint of a model of market definition/segmentation (Fennell and Saegert 1995). One example has shown to have addressed the strategic domain of market definition as well as elements of analysis *within* the market to identify market segments complete analysis was not provided. Other case examples are shown not to have included information appropriate to enable students to do a marketing analysis. Moreover, these fail to disclose that the students' charge to recommend marketing strategies would have to be met in the absence of information that management normally has available so that it can identify and choose among available options for best return on international investment.

INTRODUCTION

This chapter asks if marketing is the stepchild among international business disciplines, for example, many authors seem content to exemplify segmentation in the context of international business with reference to possible differences in the nature of demand from country to country. It has not been clear how authors can regard the market within the national boundary of a foreign country as equivalent of a market segment, while failing to appreciate the incongruity of applying the same thinking to the domestic US market. Why is it not the case that product markets within France, India, Brazil or the UK are heterogeneous as are markets within the United States?

Strategic international business typically involves making decisions about opportunities to conduct business in one or more countries other than one's own. As discussed in the international business literature, management's choice are influenced by a myriad of factors including the economic, political, legal, social, educational, technological and cultural conditions of candidate countries and the influence of these variables on raw materials, manufacturing, personnel, transportation, distribution, and competition. Beyond evaluating such conditions, essential to the success of any international enterprise management most address the fundamental *marketing* question of whether or not it can devise an offering that (some) prospective customers in candidate countries will buy at a level sufficient to yield a satisfactory return on investment (ROI). Initially, the international marketing decision may be couched as exploring whether or not the firm's domestic brand can serve as that profitable offering, given the additional expense of supporting international promotion and distribution, and possible adaptations to accommodate a new legal, regulatory, communications, and competitive environment. Doubtless, as management positioned its brand to respond to want characteristics domestically, it carried out an authentic marketing analysis, among prospective offerings. Plainly, prudence requires conducting similar investigation and analysis in other countries being considered for entry. That is, critical questions for international marketing strategy may include: are the segment and state of want satisfaction that the firm serves domestically sufficiently present in candidate countries to generate satisfactory ROI? If not, is a presence in the country of sufficient interest that management wants to consider developing an offering responsive to some other unmet wants where an opportunity for satisfactory ROI may he present?

In a previous review (Hoover, Saegert and Fennell 2000), few cases in international marketing textbooks were found that provide students with opportunities to consider strategic decisions based on the nature of heterogeneous demand and the state of want satisfaction in candidate countries. Rather, cases present detailed information pertaining to the broadly descriptive variables described above. I.e. variables that characterize an economy rather than a market, and offer little information relevant to the specific domain of management's venture. In this chapter, the international marketing implications of a model of market definitions/segmentation (see, e.g. , Fennell and Saegert 1995) that informs strategic marketing decisions will be outlined and discussed. Using this framework in researching and writing international marketing cases will provide greater opportunity for students to consider elements of a *marketing* analysis relevant to deciding to compete internationally.

MARKETING ANALYSIS

For a business decision to be regarded as falling within marketing's domain, certain characteristic kinds of issue are implicated. When management makes a decision in the absence of information on or judgment concerning such issues, management has failed to inform itself adequately and will likely have chosen among a less than optimally specified set of options. Marketing decisions involve considerations relating to prospective users of offerings in the *focal product domain*, which include issues relating to (a) *defining* the universe that is relevant to management's venture and (b) investigating the relevant conditions *within* that universe. Note that a marketing analysis is relevant at the level of a *single venture*, i.e., a particular offering that management is considering creating or continuing to support.

Defining the Relevant Universe

No single venture is relevant to all *individuals* and, within relevant individual, to all *activities* they pursue. Defining the relevant universe involves selecting among individuals and activities. An early decision relates to whether the individuals are businesses or ultimate consumers. Beyond that, the primary, substantive, basis for selecting individuals has regard to the activities they pursue. Management is interested in individuals whose current pursuits include at least one activity in which they could conceivably use some offering in management's product category, i.e., the domain in which management considers supporting an offering, e.g., home hair dryers. Such individuals comprise the outer limit of management's market for the focal venture. For convenience, management identifies such individuals as found within some geographic region, e.g., regional boundaries and, implicitly or explicitly, imposes a further criterion of ability to engage in marketplace exchange. When management has set its sights on competing at a premium price, such ability is likely explicitly stated as an added criterion based on income. For international marketing, a further criterion of openness to using western offerings may be added. Considerations of convenience may dictate excluding qualified individuals who live in remote regions, or otherwise presage high costs of doing business. In sum, one dimension of the market, as management defines it, is stating the outer limit of the behavioral universe, i.e., individuals and activity, that are reasonably considered relevant for the focal venture and, cost wise, worth including. It is convenient to consider this dimension as specifying the *prospects* for the venture.

Other dimensions of the market as defined include the kind of technology that management wants to use, the competitors it is ready to contend with, the media by which it will communicate with its prospects, the means and locus of exchange with purchasers and, as noted, the broad price level, e.g.- premium, regular, discount. At which it proposes to complete for business. Prospects, as defined, may be reduced by management's decisions on any of these further dimensions of the relevant universe.

Arriving at its definition of its market, management will have chosen, implicitly or explicitly, among options in dimensions such as those mentioned here.

An Example Where the Market has been Defined: Blair Water Purifiers India (199% pp.669-683). A fairly rare example of a case in international business where some such considerations are included is Blair Water Purifiers India*, which, following an introduction largely stated in product terms, turns to discuss topics relevant to defining the market for water purifiers. Although not specified explicitly, a careful reading of the case shows Blair's analyst identifying prospects in the general Indian population. An initial broad definition of prospects is mentioned, i.e., "many Indians felt the need to improve water quality" (p.679). Later, that criterion is modified in light of the information that, "during periods of poor water quality, many Indian consumers had little choice but to consume the water as found" (p.679), apparently, because, additionally, a level of education, wealth, and health-conscious attitudes, were required before people took affirmative steps (e.g., boiling, boiling and filtering, filtering and purifying) to improve the quality of their personal and family water supply. The outcome is a revised definition of prospects as those already taking such steps, estimated to number about 40 million households, noting an additional 4 million households where Blair faced the difficult task of inducing household members to change their habits. In addition, the case provides information regarding the different kinds of technology that can be brought to bear on addressing the problem of water quality, and the actual competitors that a new entry would find in place, already competing for business among prospects as Blair's analyst defined them. Taking all considerations into account, Blair appears to have further restricted its definition of prospects to those living in areas where electricity is available, thus deemphasizing remote regions and, in effect, focusing on larger cities on the west coast. Thus, the Blair case includes a fair effort to define the market for its proposed venture.

***The cases examples used in this chapter were chosen to illustrate inclusion or lack of inclusion of the marketing constructs discussed here and because their essential nature could be conveyed to readers relatively easily without having the text of the case in hand. There was no image to hold the chosen uses to undue scrutiny or standards of analysis. Rather they are presented as illustrative of general tendencies seemed to be characteristic of the body of available international marketing cases. Case references are ------by decade and page number only. Full references are available from the numbers on request.**

Investigating within Market Conditions

The second major component of a marketing analysis involves management's investigating relevant conditions within its market, which include elements on the user and producer side of the marketplace. On the user's side, recall that management states a criterion that qualifies individual as prospects for some offering in its local product category. In the case of Blair Industries, the criterion narrowed the focus from the initial, "feeling the need to improve water quality", to "individuals who are currently taking steps to improve water quality, who reside in West Coast urban areas"- further specified as those who "boil and filter, filter, and purify their water". Note, however, that merely specifying such a criterion provides no information on the actual conditions, i.e., personal states and environmental surroundings, relevant to improving water quality, that such prospects experience. To make an informed strategic decision about which version the firm might best offer for sale, within-market analysis must be conducted. One facet of such analysis can be illustrated by considering diverse concerns and interest relevant to purifying water (based on Fennell's 1978,1997 motivation classes) for example, Do such people have an ample or less than ample water supply, given their needs? Do they have to be careful not to waste water? Do they need to store a large supply of improved water? What kinds of impurities do they find in their particular water supply? Do they view concern over water quality as a sign of sophistication, being a responsible parent, or host, being up-to-date with Western ideas and technology? Are their current steps to improve water quality undertaken in a routine, near mindless, manner, and viewed as a normal feature of life in their circle and world? Are they intensely interested in the entire issue of impure water, reasons therefore, ways to address, so that they approach the status of near-experts, or highly informed hobbyists, in the subject? Do they envisage the natural beauty of clear, sweet-smelling water, moving in a glass seen in sunlight? Do they hold orientations such as any of the preceding and, at the same time, feel put off, overwhelmed, or intimidated by the thought of a complex purifying process, or one that is laborious, messy, costly, liable not to be properly implemented by household employees, thus vitiating its purpose and requiring responsible and trusted people to implement it properly? Are they highly conversant with all the available water improvement practices, devices, products, and brands, and unsatisfied by any of them? So, one outcome of investigating relevant conditions *within* the market that management has defined is information that documents the diverse orientations that accompany any activity in which humans engage-here, the focal activity of taking steps to purify water-and that account for the well-known phenomenon of heterogeneity in demand within a product market, i.e- diverse want creating conditions for a given product category, leading to naturally-present *segments* of demand.

Further analysis *within* the market is well-advised to take cognizance of the particular kind of concern/interest that is relevant for the prospect. For example, when investigating the kinds of attribute prospects would or do value in a water improving product, responses make sense only in the context of concerns/interest such as those suggested earlier, including how satisfied, annoyed, harmed, frustrated, they are by what they believe about, or have experienced from, existing brands. Reactions obtained in the absence of such context are often motivationally ambiguous and provide information that is not specific enough to guide strategic choice.

Such diverse orientations, along with estimates of the proportion of prospects who hold them, are important as management considers how to respond, not only to wants (e.g., concerns/interest) as found, but also to the current state of want-satisfaction (i.e., taking account of how prospects view existing offerings in relation to their particular concerns/interests). Management considers its strategic options in light of what it knows of its own strengths and weaknesses, and of how prospects view its strengths and weaknesses as producers of the local product category. In choosing among its options, management is guided by the overriding goal of putting its resources to best use.

Management can always decide not to invest in the focal venture, i.e., to discontinue support, if the venture is already in existence, or to decide against supporting a contemplated venture. Its task is to judge whether or not resources invested in the venture under consideration are likely to bring a return that compares favorably with others uses for its resources.

Blair Water Purifiers India on Within-Market Analysis. Consider, then, what information the Blair Industries case provides relative to such within market analysis. Blair's marketing analyst is said to have found what prospects regard as important in purchasing a water purifier; namely, most important was capacity to remove sediment, bacteria and viruses, safety, and footprint size, price (among prospects who had relied on boiling and filtering), ease of installation and service, with style and appearance rated almost as important. Least important was warranty and availability of financing. All were said to expect a water purifier to be warranted against defective operation for 18 to 24 months, and to perform trouble free for 5 to 10 years (p. 681).

While such information begins to address the within-market variability that is present in Blair's market, from the present perspective, to enable them to recommend realistically informed strategic decisions, student analysts need to know more about prospective customers. For example, it is unlikely that all prospects agree on such an ordering of water-purifying attributes-the authors note divergence only in regard to price, i.e., among those who had not previously used a water improving appliance. More realistically, differing orderings of product attributes would be found as a function of prospects particular concerns/interest, and experience with available brands. It is, of course, possible that Blair Industries may not have released more detailed information in its possession. Requiring custom-tailored marketing research, such information is costly to acquire, and management is understandably unwilling to make it generally available. The case write-up should state that, as briefing relevant to taking a marketing decision, the information presented is less than is normally available or desirable.

Marketing Analysis: Summary

Good/services ultimately are useful or not to the extent to which they help people engage in the tasks and interest they pursue. Management risks loss and less than optimal return, should it decide to invest while lacking information on the conditions that prompt individuals to deploy their resources in pursuit of their tasks and interests. Such conditions dictate the characteristics that people value, as they search for the goods/services they are ready to spend money on and that provide the satisfaction in use on which repeat purchase and good word of mouth depend. Moreover, such conditions are management's means of speaking directly to the prospects for whose conditions its offering has been designed. Sellers of time and space usually describe media vehicles in ways that permit management to identify audiences that disproportionately contain prospects for the product category. In consequence, management must rely on the content of its advertising message to locate in the media vehicle audience, and gain the attention of, prospects for whose conditions the brand has been tailored (Fennell 1979).

Often, as illustrated next, authors of cases in international business fail to include information about considerations such as discussed here. Moreover, lacking information on such topics, authors may fail to alert students to the fact that available information is less than optimal or adequate.

First, however, it remains to clarify a few issues that, so far, are only implicit in the preceding analysis. Principally, these are respects in which the analysis improves upon current usage in the mainstream marketing literature. Broadly, while the literature recognizes that diversity is a central concept in marketing, heterogeneity is often discussed at the *inter*product and not, as here, at the *intra*product level. The outcome is that diversity is often illustrated by means of *population* rather than *market segments*. A populations segment is a subdivision of a population found in some geographic area, e.g., any of the familiar classes of demographic, geographic, socio-economic analysis. When such subdivisions are regarded as “segments” in a marketing-relevant sense, authors have failed to recognize that a market is product-relevant. The population occupying a region of the earth’s surface defined in political or geographic terms is not relevant for marketing purposes until its members have been characterized for existing interest in the domain of the marketer’s product category. This means excluding some individuals on the basis that they cannot be considered to belong in the market for the focal venture.

Management’s concern for ROI dictates that resources be deployed where they are most likely to yield a return. Facing any naturally-occurring population, marketers make a first cut that sets the outer limit of potential interest *in the general domain* of the focal venture. Note that this first cut is wider, i.e., includes more individuals, than management realistically expects to be interested in *the brand* it offers or will offer. Within this outer limit, management is going to further search for a subset of individuals where its resources are deployed for best return. Accordingly, *the segments* that are relevant for marketing analysis are subdivisions, not of a population found in some geographic or political region, but of prospects for the product category of management's venture. Again, it is well established that such *market* segments are independent of the well-known classes of demographic, socio-economic, geographic analysis: general descriptors such as race, age, income, educational level, residence in a particular city, while weakly related to using products, i.e.- to an interproduct level of analysis. Plainly, it is conditions *within* a product market, and *within* the kind of activity that qualifies individuals as prospects, that affect the kinds of attribute that prospects are looking for in the bound that their particular *within category* concerns/interests.

What is being said, here, is that the *inter* and *intra*product levels of analysis are both relevant in marketing, but in systematically distinct ways. The *inter*product level of analysis is conducted in a population as found, and is relevant to defining the universe in which a marketing analysis and marketing activity occur (i.e., defining the market for the venture) the *intra*product level of analysis is conducted *within* a market-as- defined, and is relevant to management's choosing how it will compete for a share of the exchanges that people in its market are ready to engage in. Principal among such decisions is management's choosing the characteristics of what it will offer. As noted, such characteristics stem from the conditions that are already allocating the resources of prospects, predisposing them to the general domain of management's venture. With an eye to putting its resources to best use, management chooses among such conditions those where it can expect to achieve satisfactory ROI.

In contrast to the existing literature, the present view explicitly notes market definition as an aspect of strategy. In consequence, it stresses that management arrives at selecting its targets via a two-step process, first analyzing a population as found, identifying prospects and carving out a market for the local venture, then , analyzing that market-as defined to identify segments, one or more of which is eventually chosen as the target of marketing strategy. It follows that marketing authors must decide whether they are properly speaking about *defining* a market or *identifying a segment* within a market. The terms “market” and “segment” are distinct, each with its own systematic place. Similarly, the term “target” is distinct from both terms, being properly applied to a segment of a market that management selects as the narrowest focus of strategy. It follows that it is not necessary to qualify the term market, which stands alone to mean the arena in which management proposes to, or conducts, business; the often-used qualifier “target” market is confusing, “market” being the broadest reach of management’s interest, and “target” being the narrowest (Fennell, Saegert and Hoover 2000). In sum, common errors in marketing writing are to refer to entities, which are properly “markets”, as “segments”, and to fail to realize that management’s “market” is the outcome of strategically choosing the arena in which one of its ventures conducts business.

INADEQUATE INFORMATION FOR MARKETING ANALYSIS

Windmere Corporation (199xpp.249-254). Windmere is a firm that “sells a variety of hair, beauty, and personal care products to consumers and to the professional (barber shop and beauty salon) market…” (see Table1). Windmere Corporation manufactures most of these products in Hong Kong and China, in the Durable Electrical Metal Factory Ltd., an 80 percent owned manufacturing operation. Its international sales occur in Canada, Europe, Latin America, and the Far East. The case describes changes and potential changes in the international political scene, particularly as they may affect trade with China, which are a source of concern for Windmere Corporation, and then poses questions to students as an exercise in case analysis.

Three issues in the exercise questions are relevant here; (1)The students are asked if Windmere's products are differentiated. Given the information provided, the question cannot be answered. "Differentiation" is a concept that is relevant within a product market, yet no information has been provided regarding other offerings in each of the markets for Windmere's offerings. In other words, each Windmere offering must be considered as being offered in a distinct market and analysis within that market is what is relevant to the concept of product differentiation and to decisions that are informed by marketing considerations. (2)Another question asks students to estimate the "demand" for such products over the next three to five years in the United States, Europe, Japan, and the Far East?" The question is ambiguous-do the authors intend to refer to the product categories in which each of Windmere's offerings is an entry or to the offerings themselves, i.e., the brand that Windmere supports? If the latter, information needed to answer the question, i.e., estimating demand for a given version of the product, is not provided. (3)Finally, students are asked if competition could easily arise in these product lines.

Table 1

Windmere's Major Product Lines

Personal Care Products

Hair dryers; Clothes Shaver fabric line and fuzz remover, and electric shavers; health and beauty aids; lighted makeup mirrors; combs and brushes; cosmetics; Plac Trac plaque remover; and shower massagers

Professional Sales Products

Professional hair styling combs, nail care accessories, combs and brushes

Home Electrical Appliances

Ceiling and table fans, heaters, manufacturing subcontracted toasters, blenders, and mixers

Environmental Products

Air Filtration and air cleaning devices and fragrance-added air fresheners

Lodging Industry

Hotel amenities, such as wall-mounted hair dryers and lighted mirrors

Presumably competition-in the form of other offerings- already exists in each of the product categories in which Windmere supports an entry. Moreover, competition also exists in the nonmarket place means that people use to address the tasks and interests to which Windmere's offerings are relevant. For each of the kinds of product shown in Table 1, the analysis presented earlier in this chapter is relevant, i.e., market definition (including stating the criterion that qualifies individuals as prospects, specifying competition, means of communication, exchange, and price level) and within-market analysis (including understanding the diverse concerns and interests that prompt people engage in the focal activity, and state of want-satisfaction). In sum, although the authors have presented a considerable amount of information that has the general appearance of business-relevance, they have neglected to provide information relevant to a marketing analysis, or to point out that such an omission is occurring in this instance.

Pert Plus (199, pp 660.664). Here, students are told that Pert Plus "combined a mild shampoo with a fully effective conditioner in one wash". The authors leave unspecified the market, within each country, that the firm is considering as it contemplates offering Pert Plus in European countries. In fact, the case specifically indicates a misunderstanding of the required marketing analysis when it says, “the target group was to be all people”. Apparently, not only are “all people” to be regarded as prospects, regardless of whether or not, for example, they have hair, are able to wash their hair, use shampoo. All such unselected people are to be also regarded as the narrowest focus of management’s strategy, i.e., the targets for Pert Plus, as the case seems to say that management is uninterested in how many prospects experience the conditions that will be addressed with “mild shampoo” or “need for conditioners” (as distinct from alternatives). To consider just a couple of examples, what about prospects who have dandruff and are interested only in a dandruff alleviating shampoo? Or those who have oily hair and are hoping for oilyness control. In other words, when the case exercise asks, “How attractive is the European market for Perl Plus in terms of demand potential”, students apparently are asked to consider that population-market, and even that population-market segment. The case lacks information on the concerns/interest of people who use shampoo to get their hair clean in general and, specifically, the proportion of those people who want to do so gently, and also control unmanageable hair,. Information about the proportion of prospects who will be found to have other concerns/interest (see above), and about how the various concern/interest groups view available offerings (i.e., the competition that management faces is part of a marketing analysis that finds no place here. Estimating demand for any product variant requires deciding which individuals can reasonably be viewed as prospects in the first place and among prospects, obtaining information about who experiences the conditions that the brand is designed to address.

The above issue is a realistic one that marketers and management must face. As also in regard to Windmere Corporation. The authors at least could say to students that management seems faced with going ahead in the absence of adequate analysis and information; as presented, the case makes it look as though it is normal and unproblematic to proceed without conducting a marketing analysis. As discussed earlier, such cases are typical of those available in international marketing texts ; authors ask student to consider international management and economics issues but fail to address fundamental marketing criteria for making strategic decisions about the firm's best option for ROI, and fail to comment on the omission.

CONCLUSION

This chapter has drawn attention on a troubling problem for training in marketing analysis as presented via cases used to teach international business. Simply stated, few cases include information that authentically reflects marketing analysis. Admittedly, professional quality marketing information may be hard to come by, as firms can be expected to regard such information as highly sensitive. At the same time, particularly since such reluctance is likely a permanent feature of business in a competitive environment, it is important that authors guard against shortchanging marketing analysis as a consequence. Even the outline form in which the systematic steps of marketing analysis have been presented here (see Fennell and Saegert 1995 for additional discussion of the model) will, it is hoped, facilitate authors in conveying to students an authentic view of what marketing analysis entails.

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