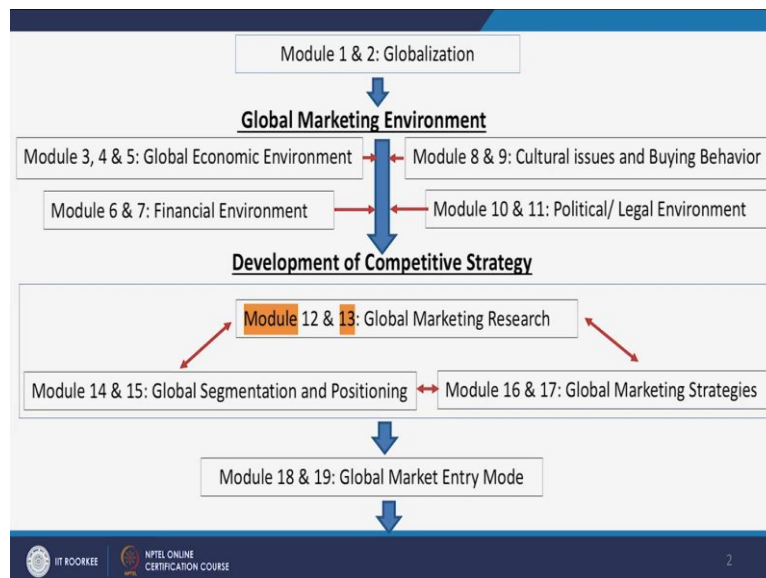


**Global Marketing Management**  
**Prof. Zillur Rahman**  
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**Indian Institute of Technology - Roorkee**

**Module - 3**  
**Lecture - 13**  
**Global Marketing Research - Part II**

Welcome to this course on Global Marketing Management. And we are talking about development of competitive strategy. And, to develop any kind of competitive strategy, there is a need to gather information. And because of that, we have started talking about Global Marketing Research.

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This Global Marketing Research is spread over 2 modules. That is module number 12 and 13. We have talked about module number 12. Today we will talk about module number 13. And these are the things that will be covered there.

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## Module Overview

1. Introduction
2. Market Size Assessment
3. New Market Information Technologies
4. Managing Global Marketing Research
5. Conclusion

The first is market size assessment. So, as you will appreciate the fact that, a company would not like to enter a country where the market size is not sufficiently enough sufficiently big. Therefore, it is the, it is of prime importance that the, that a company should understand what is the market size in a particular country before it decides to enter that country. Next thing that we will to talk about today is the new market information technologies, the information technologies that can be used to gather information about the market.

And then, managing global marketing research. Now, the problem is that, the countries that are at various level with various levels of per capita income, they may have very different kind of production and consumption. Therefore, when a company needs to decide whether to enter a particular country or not,

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## Introduction

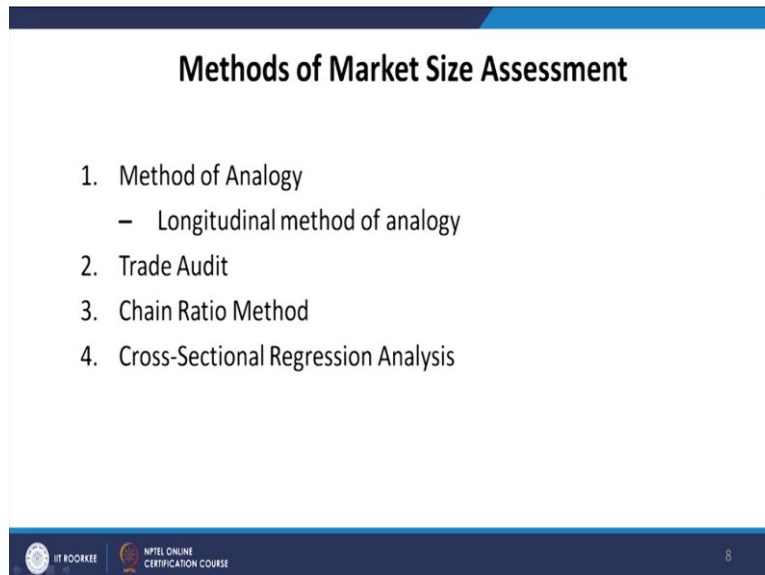
- Countries at different levels of per capita income have diverse patterns of consumption and production.
- When deciding whether to enter a particular country, one of the key drivers is the market potential. → *Company's objective*
- In most developed countries, a fairly accurate estimate of the market size for any particular product is easily obtainable. → *By enough*
- Such information, however, comes at a cost.
- Before investing a substantial amount of money, one might consider less costly ways to estimate market demand.

One of the key drivers is the market potential. So, if it is big enough, if the market is big enough, then any company would like to enter that country. And if it is not so, then they will not like to enter that country. And this big, how big is this, will be determined by the company's objectives. So, for 1 company, 10,000 crore market may be big enough. For another company, 1,000 crore rupees market may be big enough.

So, in most developed countries, there are fairly accurate estimates of market potential that are available. But the problem is that, they are they come at a cost and the cost can be prohibitive. Therefore, before investing a substantial amount of money, 1 company needs to consider less cost less costly ways to gather that information. But in many industries and countries this information may not simply be available.

So, in that case what is to be done. In that case, there is a need to come up with a market size assessment. Now, what are the various ways for estimating the market size. When there is lack of the all that kind of information. When all that information may not be available or all the information may be costly. So, there are various methods in that case. The first method is the method of analogy. Then another method is the trade audit. The third is the chain ratio method. And the fourth one is cross sectional regression analysis.

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**Methods of Market Size Assessment**

1. Method of Analogy
  - Longitudinal method of analogy
2. Trade Audit
3. Chain Ratio Method
4. Cross-Sectional Regression Analysis

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The fourth one is cross-section regression analysis. Let us look at each of these methods one by one. So, in the first technique, it starts by picking a country that is at the same size or same stage of economic development as the country of interest.

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## 1. Method of Analogy

A  
↓  
known  
B  
↓  
unknown

- The first technique starts by picking a country that is at the same stage of economic development as the country of interest and for which the market size is known.
- The method is based on the premise that the relationship between the demand for a product and a particular indicator, for instance, the demand for a related product, is similar in both countries.
- **Example:**

$$\frac{\text{DVD Player Demand}_{\text{Ukraine}}}{\text{Color TVs in Use}_{\text{Ukraine}}} = \frac{\text{DVD Player Demand}_{\text{Poland}}}{\text{Color TVs in Use}_{\text{Poland}}}$$



And for which the market size is known. So, there are 2 countries, A and B which are at the same stage of economic development. But for A, the size is known. And the B, for B it is unknown. So, in this, this method is based on the premises that the relationship between the demand for a product and a particular indicator, for instance the demand for a related product is similar in both the countries.

Look at this example. So, the DVD player demand in Ukraine upon color TV use in Ukraine. Because this DVD player and TVs, they are related product. So, let us look at how the, how much color TV demand is there in Ukraine and what is the demand for DVD players in Ukraine. Which is be equal to the ratio will carry on with Poland also. So, what is the color TV usage in Poland; and then you can find out what is the DVD players demand in Poland.

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## Longitudinal Method of Analogy

- The critical part is finding a comparable country and a good surrogate measure.
- In some cases the analogy exists between different time periods.
- This variant is sometimes referred to as the **longitudinal method of analogy**.
- For example, the stage of economic development in country A ten years back could be similar to the current state of the economy in country B.
- $M_B^{2010} = X_B^{2010} * (M_A^{2000} / X_A^{2000})$ ,  
where, M = market size for the product of interest  
X = the surrogate measure



Another method is that of longitudinal method of analogy. The critical part in finding is finding a comparable country as a good surrogate measure. So, that is of importance. In some cases, the analogy exist between different time periods. So, here it was analogy between 2 countries which are, which wear at the same stage of economic development. Here the analogy is between different time periods.

This variant is sometimes referred to as longitudinal method of analogy. Look at this example. The stage of economic development in country A, 10 years back would be similar to the current state of economy in country B. And then, we are able to find out the, we are able to access the market size. So, the market size of a product of interest in country B in 2010, will be equal to the surrogate measures of in country B in 2010; into market size for the product of interest in 2008 upon the surrogate measure in market A in 2000.

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Country	Current Number of Restaurants (2004)	1996 Number of Restaurants	Market Potential
Japan	3,774	2,004	4,284
Canada	1,362	992	1,190
Germany	1,262	743	2,707
UK	1,249	737	2,064
France	1,034	540	2,004
Australia	729	608	711
China	639	117	8,958
Brazil	549	214	1,750
Taiwan	346	163	676
Spain	345	121	1,118
South Korea	337	77	1,087
Italy	331	147	1,819
Mexico	304	112	1,175
Sweden	244	129	295
Philippines	242	113	495
Netherlands	227	151	553
Hong Kong	211	125	281
Poland	207	65	542
Argentina	186	88	594
Malaysia	164	129 (1999)	275

And this is how they go about using this formula. In Japan, the current number of restaurants in 2004 for McDonald's were 3,744. In 1996, the number of restaurants were 2,004. So, the market potential is 4,284. And similarly, they have calculated the market potential for various countries.

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## Method of Analogy

- Use of either approach produces misleading estimates whenever:
  - Consumption patterns are not comparable across countries due to strong cultural disparities.
  - Other factors (competition, trade barriers) cause actual sales to differ from potential sales.
  - Technological advances allow use of product innovations in a country at an earlier stage of economic development (“leapfrogging”).

Use of either approach may be misleading whenever; so, that the care has to be taken regarding the usage of this method whenever: consumption patterns are not compatible across countries due to strong cultural disparities. Then there are certain other factors like competition, trade barriers that cause actual sales to differ from potential sales. And technological advances allow use of product use innovation in a country at an earlier stage of economic development.

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## 2. Trade Audit

- It uses a straightforward logic: take the local production figures, add imports, and subtract exports:  
$$\text{Market size in Country A} = \text{Local Production} + \text{Imports} - \text{Exports}$$

} diff
- Strictly speaking, one should also make adjustments for inventory levels.
- While the procedure is commonsensical, the hard part is finding the input data.
- For many emerging markets (and even developed countries), such data are missing, inaccurate, outdated or collected at a very aggregate level in categories that are often far too broad for the company's purposes.

Another method to access market size is the trade audit. That is a plain simple method. So, it assumes a straightforward logic. Take the local production figures of a particular product, add imports and subtract exports. So, the market size in country A is will be equal to local production plus import minus exports. Strictly speaking, why should always make adjustments for inventory level.

While the procedure is commonsensical, the hard part is finding the input data. So, what is the local production, how much is are the imports and how much are the imports exports. So, this data may no may be difficult to obtain. And for many emerging markets and even in some developed countries, such data are missing or they may be inaccurate or outdated or collected at a very aggregate level in categories that are often far to brought for the company's purpose. So, then we can use yet another method that is called as a chain ratio method. It starts with a very rough base number as an estimate for the market size.

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### 3. Chain Ratio Method

- It starts with a very rough base number as an estimate for the market size (e.g., the entire population of the country).
- This base estimate is systematically fine-tuned by applying a string ("chain") of percentages to come up with the most meaningful estimate for total market potential.
- For illustration, let us look at the potential market size in Country A for Nicorette gum, a nicotine substitute.

Total population	127 MM people	
Adult Population (15-64 years of age)	85.6 MM = 0.675 X 127 MM	67% of total population ✓
Adult smokers	26.5 MM = 0.31 X 85.6 MM	31% smoking rate

For example, the entire population of a country. This base estimate is systematically fine-tuned by applying a string or chain of percentages to come up with the most meaningful estimate for the total market potential. For example, let us look at market potential market size in country A, for Nicorette gun gum, a nicotine substitute. So, let us assume that the total population is 127 million people.

Adult population, that is, those who are supposed to be smoking and it may vary from 15 to 64 years of age is 85.66 million. That is, 0.675 into 127 million people. That is, 67 percent of the population maybe smoking. And the adult smokers is 26.5 million. That is 0.31 into 85.6. 85 and 31 percent is the smoking rate in that country. So, that will give you a fairly fair enough estimate of the market size for this kind of product.

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#### 4. Cross-Sectional Regression Analysis

- With regression analysis, the variable of interest (e.g., market size) is related to a set of predictor variables.
- To apply regression, one would first choose a set of indicators that are closely related to demand for the product of interest.
- Then, one would collect data on these variables and market size figures for a set of countries (the cross-section) where the product has already been introduced.
- Given these data, one can then fit a regression that will allow to predict the market size in countries in consideration pool.



The fourth method is the cross-sectional regression analysis. With regression analysis, the variable of interest, that is the market size is related to a set of predictor variables. So, now we have to look for what are the variables that will affect market size. To apply regression, one should first choose a set of indicators that are closely related to demand for that product of interest.

Then one should collect data for that variable and market size figures for a set of countries the cross-section where the product has already been introduced. Given this data, one can fit a regression that will allow to predict the market size in countries in the consideration pool.

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#### 4. Cross-Sectional Regression Analysis

- When applying regression to produce a market size estimate, one should be careful in interpreting the results.
- For example, caution is warranted whenever the range of one of the predictors for the countries of interest is outside the range of the countries used to calibrate the regression.

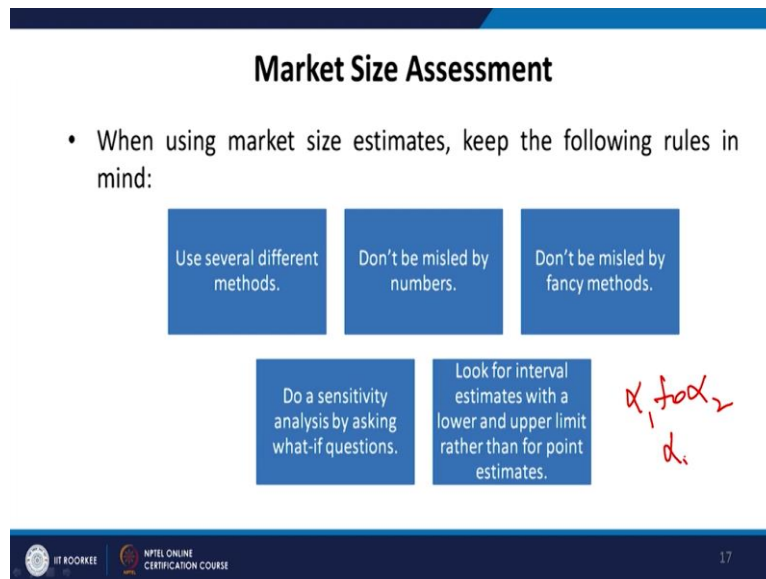


But when applying regression to produce a market size estimating, one should be careful in interpreting the results. For example, caution should be taken whenever the range of one of



the predictor for the country of interest is outside the range of the countries used to calibrate the regression.

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**Market Size Assessment**

- When using market size estimates, keep the following rules in mind:

- Use several different methods.
- Don't be misled by numbers.
- Don't be misled by fancy methods.
- Do a sensitivity analysis by asking what-if questions.
- Look for interval estimates with a lower and upper limit rather than for point estimates.

*Handwritten note:  $\alpha_1$  to  $\alpha_2$*

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So, when using market size estimate, keep the following rules in mind. The first is, use several different method. 1 method can may not be sufficient enough, so you have to use several different methods. And do not be misled by numbers. They can, numbers can be misleading. Ans do not be misled by fancy methods of collecting the data. Do a sensitivity analysis by asking what-if questions and look for interval estimate with a lower and upper limit rather than the point estimates. So, the demand may vary from alpha 1 to alpha 2. So, it is not only alpha 1.

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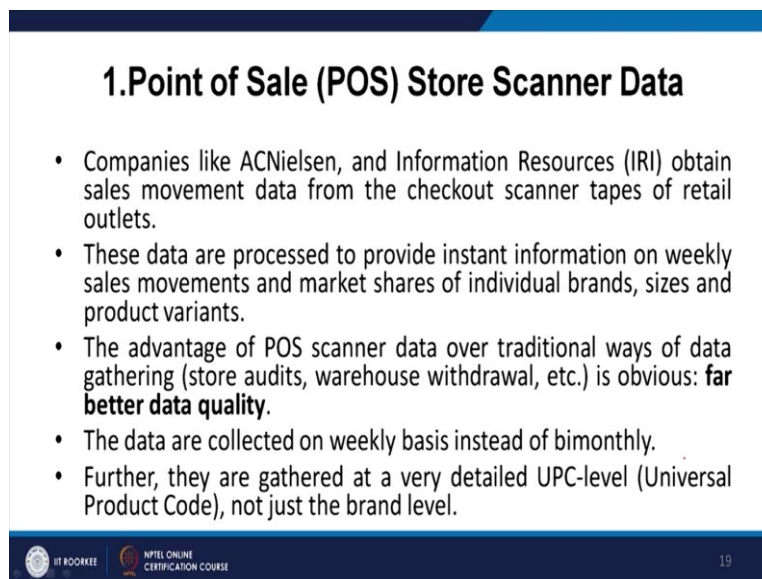
**New Market Information Technologies**

- Major developments/innovations:
  1. Point of sale (POS) store scanner data
  2. Consumer panel data
  3. Single-source data
  4. Shift from mass to micro marketing
  5. Continuous monitoring of brand sales/market share movements
  6. Scanning data are used by manufacturers to support marketing decisions.
  7. Scanning data are used to provide merchandising support to retailers.

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Now, let us look at the various types of information technologies available for collecting of data. So, 1 is the point of sale, which are installed in store scanner data. Consumer panel data, single-source data, shift from mass to micro marketing, continuous monitoring for brand sales and market share moments, scanning data are used by manufacturers to support marketing decisions and scanning data are used to provide merchandising support to retailers. So, all this data can be used for variety of purposes. And these are some of the major developments or innovations that can help marketers in making decisions.

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**1. Point of Sale (POS) Store Scanner Data**

- Companies like ACNielsen, and Information Resources (IRI) obtain sales movement data from the checkout scanner tapes of retail outlets.
- These data are processed to provide instant information on weekly sales movements and market shares of individual brands, sizes and product variants.
- The advantage of POS scanner data over traditional ways of data gathering (store audits, warehouse withdrawal, etc.) is obvious: **far better data quality.**
- The data are collected on weekly basis instead of bimonthly.
- Further, they are gathered at a very detailed UPC-level (Universal Product Code), not just the brand level.

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Now, what is point of sale store scanner data. There are various companies, 1 company is named as AC Nielsen. And the information research institute, they obtain sales movement data from the checkout scanner tapes of retail outlets. This data is then processed to provide instant information on weekly sales moment and market shares of individual brands sizes and product variants.

The advantage of using this data over traditional ways of data gathering is obvious, that is, it is far better quality data. The data collected on weekly basis instead of fortnightly basis and further they are gathered by a very detailed UPC level, that is Universal Product Code and not just at the brand level.

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## 2. Consumer Panel Data

- Some market research companies have consumer panels that record their purchases.
- There are two approaches to collect household level data:
  - Approach 1:** Panel members present an ID card when checking out at the cash register. That information is entered each time the household shops.
  - Approach 2:** On returning from each shopping trip, the panel member scans the item bought.

Another data that is collected is consumer panel data. Some market research companies have consumer panels that record their purchases. So, these panels, they keep on recording whatever they purchase on a daily, weekly or by fortnightly or monthly basis. So, there are 2 approaches to collect household data. The first approach is panel members present an ID card when checking out at the cash counter. This information is entered each time the household shops. Approach 2 is, on returning from each shopping trip, the panel members scans items bought.

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## 3. Single-source Data

- Single-source data are continuous data that combine for any given household member, TV viewing behavior with purchase transaction (product description, price, promotion, etc.) information.
- TV viewing behavior is tracked at the panel member's home via so-called Peplemeters.
- Each time the family member watches a program, he/she has to push a button to identify him/herself.
- More advanced systems involve a camera that records which members of the household are watching TV.
- Single-source data allow companies to measure, among other things, the effectiveness of their advertising policy.

The third is single-source data. Single-source data are continuous data that combine for any given household member, TV viewing behavior with purchase transactions. So, these 2 different kind of variables, they are then combined. So, TV viewing behavior is tracked at the

panel member's home via a instrument that is called as Peoplemeter. Each time the family member watches a program, he or she has to push a button to identify him or herself.

There are some more advanced systems that involves camera that records which member of the household are watching television. Single-source data allow companies to measure among other things, the effectiveness of the advertising policy.

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#### **4. Shift from Mass to Micro Marketing**

- New information technologies enable firms to tailor their pricing, product line, advertising and promotion strategies to particular neighborhoods or even individuals.
- Database marketing gives companies an opportunity to enter into direct contact with their customers.
- In Malaysia, Nestlé built up a database with information on consumption patterns, lifestyle, religion, race and feelings about specific brands.
- By building up its database knowledge, Nestlé hopes to do a better job in target marketing and adapting its product to local market.



Then, another development is, 1 development or important development is the shift from mass marketing to micro marketing. We will talk about mass marketing and micro marketing also. So, new information technologies, they enable firms to tailor their pricing, product line, advertising and promotional strategies to particular neighborhood or even an individual. So, all this information that we have collected from the point of sale data, from consumer panel data and from single source data.

Now, this data is used to customize the marketing strategies to a particular neighborhood or even to a particular individual. So, database marketing gives companies an opportunities to enter into direct contact with the consumers. For example, in Malaysia, Nestle built up a database with information on consumption patterns, lifestyle, religion, race and feeling about a specific brand. By building up its database knowledge, Nestle hopes to do a better job in target marketing and adopted adopting its product to local markets.

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## 5. Continuous Monitoring of Brand Sales/Market Share Movements

- Sales measurement based on scanner data are more accurate and timely.
- Accurate tracking information on new brand shares and incumbent brand shares is crucial information for manufacturers and retailers alike.



Then, all this information can be used for continuous monitoring of brand sales or market share movements. Sales measurement based on scanner data are more accurate and timely. Accurate tracking information on new brand shares and incumbent brand shares is crucial for manufacturers and the retailers alike.

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## 6. Scanning data are used by manufacturers to support marketing decisions.

- Initially, most scanning data were simply used as tracking devices.
- This has changed now. Scanning data are increasingly used for tactical decision support.
- The databases are used to assist all sorts of decisions in inventory management, consumer/trade promotions, pricing, shelf space allocation, and media advertising.
- Scanning data are also increasingly used for category management.



Scanning data are also used by manufacturers to support marketing decisions. So, initially, most scanning database simply used as tracking devices, but this has changed now. Scanning data are increasingly used for tactical decision support. The databases are used to assist all sorts of decision in inventory management, consumer trade promotion, pricing, shelf space allocation and media advertising. And it is also increasingly used for category management.

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## 7. Scanning data are used to provide merchandising support to retailers

- Many manufacturers also employ information distilled from scanning data to help out retailers with merchandising programs (e.g., in-store displays).
- Such support helps to build up a long term relationship with retailers.
- Scanning data help manufacturers to show the “hard facts” to their distributors.



Then, scanning data can also be used to provide merchandising support to retailers. Many manufacturers also employ information distilled from scanning data to help out retailers with merchandising programs, that is the in-store displays. Such support helps to build up a long-term relationship with retailers. And scanning data help manufacturers to show the hard facts to their distributors.

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## Advantages of New Market Information Technologies

- Richer market information should help global marketers to improve marketing decisions that have cross-border ramifications.
- The information can also be used to monitor competitors' activities.
- The new information technologies will ultimately allow marketers to enter into one-to-one relationships with their individual customers.



The various advantages of this new market information technologies are that they provide richer information to help global marketers to improve marketing decisions that have cross-border ramifications. They can also be used to monitor competitor activity. And this new information technology will ultimately allow marketers to enter into one-to-one relationships with their individual customers.

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## Challenges for New Market Information Technologies

- Despite the promises of scanner databases, their full potential is not yet exploited in many countries.
- Many users still simply view scanner data as an instrument to track market shares.
- Two factors are behind this state of affairs:
  - The conservatism of the users of the data.
  - Attitude of local retailers toward data access.
- In countries like the United Kingdom, retailers are reluctant to release their data because they fear that by doing so they might inform their competition.
- Rivals are not just other retailers but in many cases the manufacturers who compete with the retailer's store brands.

But the challenge of using this new information technology are, that despite the promises of scanner data bases, their full potential is not yet exploited in many countries. Many users still simply view scanner data as an instrument to track market shares. And there are 2 factors that are behind this state of affairs. The first is the conservatism of the user of the data and attitude of local retailers towards data access.

In countries like United Kingdoms, retailers are reluctant to release their data, because they fear that, by doing so they may they might inform their competitors. But rivals are not just other retailers, but in many cases, the manufacturers who compete with retailer's store brands.

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## Advances in Computer Technology

- State-of-the-art marketing research tools are also being developed to track the effectiveness of newer marketing mix media vehicles such as the Internet.
- For instance, the **Web Audit** is a package designed by ACNielsen Australia that allows subscribers to evaluate the performance of their website.
- Subscribers to the service receive information on user profiles by region, most requested pages, most downloaded files, and so on.

When there have been certain advances that are happening in computer technology, so state-of-art marketing research tools are also being developed to track the effectiveness of new marketing mix media vehicles such as the internet. For instance, the web audit is a package designed by AC Nielsen, Australia that allows subscribers to evaluate the performance of their website. Subscribers to the service receive information on user profiles by region, most requested pages, most downloaded files and so on.

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### Advances in Computer Technology

- Advances in computer technology have also spurred new data collection techniques such as:
  - **CATI (Computer-Assisted Telephone Interviewing)**
  - **CAPI (Computer-Assisted Personal Interviewing)**
- Benefits derived from such tools include speed, accuracy, and the ability to steer data collection based on the response.
- In international marketing research, another material advantage of these techniques is that they can be used to centrally administer and organize data collection from international samples.



So, advances in computer technology have also spurred new data collection techniques such as, computer assisted telephone interview and computer assisted personal interviews. Benefits derived from such tools include speed, accuracy and the ability to steer data collection methods on the response. And the international marketing research, other material advantages of these techniques is that, they can be used to centrally administer and organize data collection from the international samples.

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## Management of Global Marketing Research

- Global marketing research projects have to cater to the needs of various interest groups: global and regional headquarters, local subsidiaries.
- Two highly important issues in managing global marketing research are:
  - Who should conduct the research project
  - Coordination of global marketing research projects



The last topic in this module is the management of global marketing research. So, the global marketing research projects have to cater to the needs of various interest groups. So, there are the global headquarters, the regional headquarters and the local subsidiaries. So, this global marketing research projects should provide information to all these constituents. 2 highly important issues in managing global marketing research are:

Who should conduct the research project and how the coordination of global marketing research projects will happen. And for that, there is a need to have a criteria for selecting a research agency, the research agency that will conduct this marketing research across different countries.

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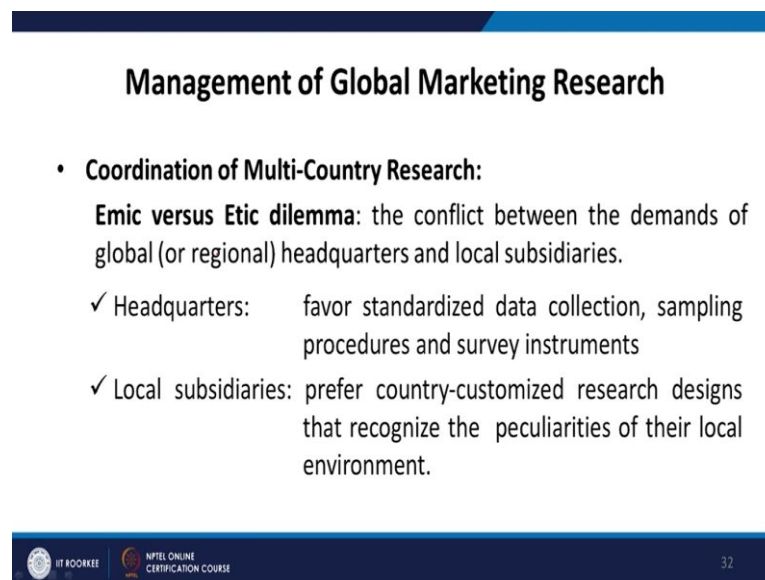
## Management of Global Marketing Research

- **Selecting a Research Agency:** The following considerations should be taken into account while choosing agency:
  - Level of expertise
  - Qualifications
  - Track record
  - Credibility and experience
  - Client record



And the following considerations should be taken into account for choosing the agency. The first criteria for choosing agency that will conduct global marketing research is their level of expertise, their qualifications, their track record, their credibility and experience and the client record. In coordination of multi country research, there is a dilemma that comes in. That is called as emic versus etic dilemma.

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**Management of Global Marketing Research**

- **Coordination of Multi-Country Research:**
  - Emic versus Etic dilemma:** the conflict between the demands of global (or regional) headquarters and local subsidiaries.
  - ✓ Headquarters: favor standardized data collection, sampling procedures and survey instruments
  - ✓ Local subsidiaries: prefer country-customized research designs that recognize the peculiarities of their local environment.

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Now, what is that dilemma. That is the conflict between demands of global or regional headquarters and local subsidiaries. So, the problem is that the global or regional headquarters, they require different information, while local subsidiaries they may be requiring different information. So, the headquarters favor standardized data collection so that it becomes easier for them to compare the data.

They also want standardized sampling procedures and standardized survey instruments. While local subsidiaries, they prefer country customized research design that recognize the peculiarities of that local environment.

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## Management of Global Marketing Research

- *The emic school* focuses on the peculiarities of each country.
- *The etic approach* emphasizes universal behavioral and attitudinal traits.
- Cross-cultural market research favors the etic paradigm, emphasizing cross-border similarities and parallels. *→ Sm*
- Several approaches may be used to balance these conflicting demands.

So, in this, the emic school, it focuses on peculiarities in each countries. So, they want that the differences across countries should come out. How a particular country is different from the other countries. While the etic approach emphasizes universal behavioral and attitudinal traits. So, this etic approach, they want to know what are, how the behavior and attitude are universal across the countries.

And you see that, both these schools, they are important. Because, you cannot standardize everything and there you cannot customize everything. So, look at what are the differences that will force us to customize and what are the similarities that will force us to standardize. So, cultural market research favors the etic paradigm, emphasizing cross-borders similarities and parallels.

So, here we are looking at peculiarities, the differences. The etic where we are looking at the similarities. So, several approaches may be used to balance these conflicting demands. So, it is not the issue of either-or, we may have to do both of them.

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## Conclusion

- The firm must seek information to help it to understand the country and regional environment, as well as the consumer and the product.
- It must assess the global competitors that it will face in order to compete better with them.
- Lack of knowledge of world markets is the first barrier to overcome in marketing internationally.
- Marketing decisions cannot be made intelligently without adequate market research.

*Secondary*



To conclude, the firms must first seek information to help out to understand the countries and regional environment as well as the consumers and the product. So, we need information, the companies need information to understand the country and the regional environment, 1. And second, they also need information on consumers and products. So, all this information is supposed to be coming from global marketing research.

Either it can be primary or let us, we will talk, either it can be secondary or primary. It must assess the global competitors that it faces, that it may face in order to compute complete better with them. So, it is important that they should know the competitors instead of just ignoring the competitors. Lack of knowledge of world market is the first barrier to overcome in marketing globally.

So, that is why more and more information is required, so that the companies can overcome the first barrier to the global marketing. And marketing decisions cannot be made intelligently without adequate marketing research. But, first look at the secondary data that is already available. Because that is cheaper and based on those estimates, then the company may decide which countries to enter and which countries it may not want to enter.

After they decide which countries to enter, then they may go in for more precise estimate by conducting primary marketing research. So, and these are the books from where the material for this module is taken. Thank you.

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