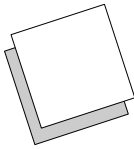


An executive summary for managers and executive readers can be found at the end of this article



Understanding the new bases for global market segmentation

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Abstract *This study introduces a hybrid approach to segmentation of global markets. It examines an integrated inventory of macro- and micro-bases associated with segmentation of world markets. The paper calls for a universal perspective on market segmentation to aid global marketers in identifying similarities across national boundaries while assessing within-country differences. The main conclusion of this research is augmentation of the argument that a hybrid/universal market segmentation strategy should serve as the conceptual link and action mechanism that provides substance and rationale to striking a trade-off between the two indispensable global strategy ends of standardization and adaptation. This balanced relationship can only be created when focus is devoted to building brand equity through emphasizing a global consumer orientation.*

Introduction

There is a new consumer in the marketplace of the twenty-first century – one who buys the same brands promoted in global as well as local media throughout the world. This new consumer is best described as the “global consumer”. Understanding global consumer orientation is the first phase of corporate learning about how to compete in the world market (Craig and Douglas, 1996). Further, understanding the new global consumer drives the development of business-to-business just as much as it drives consumer marketing (Blackwell *et al.*, 2001). Perhaps more so, because globalization of markets often occurs earlier and advances faster for business-to-business products. This issue has intrigued marketers since Levitt advanced the debate over globalization of the marketplace. According to Levitt (1983, p. 93), the global corporation is able to produce universal products for a worldwide audience because “the world’s needs and desires have been irrevocably homogenized.” Since Levitt’s article, there has been a lively discussion, and much disagreement, about the possibility of standardization of products and the extent to which homogeneity of needs in the global marketplace is increasing.

Despite the growing homogeneity of needs among consumers on a worldwide basis, some authors focus on the adaptation of products and marketing efforts on a country-by-country basis, as opposed to the standardization of products and marketing efforts on a global basis (Kotler, 1986; Sheth, 1986). Others concede that selective standardization on a global

The “global consumer”



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basis may be strategically advantageous and espouse hybrid strategies of adaptation and globalization (Porter, 1986; Daniels, 1987). This approach assumes that globalization is feasible with certain products and that it is possible to cluster countries based on the similarity of target customer groups within each country (Huszagh *et al.*, 1986). Similarly, Douglas and Wind (1987) conclude that a firm's international operations may consist of a mix of strategies, including global products and brands as well as some regional and country-specific products and brands. Thus, customer segments may be global, country-specific, or based on clusters of countries with similar characteristics. Rethinking the bases of global market segmentation may serve to resolve some of the disagreement over brand standardization versus adaptation.

Identifying segments

Rethinking global market segmentation

Global market segmentation can be viewed as the process of identifying segments whether they be country groups or individual buyer groups, of potential customers with homogeneous attributes who are likely to exhibit similar buying behavior patterns. There are three different approaches for global segmentation:

- (1) identifying clusters of countries that demand similar products (that is, regional selling, giving more weight to geopolitical and economic segmentation factors);
- (2) targeting different segments in different countries with the same product (that is, differentiated selling, emphasizing behavioral and lifestyle segmentation factors) (Takeuchi and Porter, 1986); and
- (3) identifying segments present in many or most countries (that is, universal selling, striking a hybrid balance between various macro and micro segmentation factors).

Of the three segmentation approaches, universal segmentation is argued to be the most innovative and also the most likely to give the firm a significant competitive advantage, because product and communication can be standardized and transferred among countries (that is, globally transcending distinctive competency). This gives the brand a reputation and a coherence in image and positioning which is internationally reinforced. The other two diverse segmentation approaches have the merit of taking into consideration differences among countries and of introducing adaptations to accommodate these differences or focusing their marketing offerings to excel in a specific segment(s) (Lambin, 1997). Nevertheless, both segmentation strategies could exhibit disadvantages of either high cost of differentiation or limited economies of scale of focusing along with running the risk of vulnerability to drastic local market changes.

Hybrid segmentation

The universal (hybrid) segmentation as a global market strategy looks for similarities across world markets. The traditional differentiation or focusing segmentation strategies are multi-domestic, i.e. they tend to ignore similarities and highlight differences. The universal or hybrid approach to global market segmentation actively seeks homogeneity in product, image, marketing tools and advertising message, while the multi-domestic approaches to global market segmentation maintain focus on differences from market to market. The ultimate agenda, however, is not to have an identically uniform product line worldwide, rather the strategic marketing end is to come up with a product mix that is as standardized as possible,

An illustrative demonstration

while recognizing that allowances for some local conditions are sometimes both necessary and desirable (Keegan and Schlegelmich, 1999).

The case of Black & Decker provides an illustrative demonstration of this hybrid global market segmentation strategy (Farley, 1986). Black & Decker is established in 50 countries and manufactures in 25 plants, 16 of which are outside the USA. It has a very high level of brand awareness worldwide, sometimes in the 80-90 percent range. For Black & Decker the potential economies of scale and cost savings of globalization of its product mix across hybrid market segmentation were considerable. Nevertheless, the following challenges had to be overcome:

- Different countries have different safety and industry standards that make complete standardization impossible.
- European and American consumers have very different responses to product design, and even to colors.
- Consumers use the products in different ways in different countries. For example, Europeans are more power-oriented in their electric tools than Americans (Farley, 1986, p. 69).

As a consequence of this diversity, the multi-domestic organization approach to market segmentation produced staggering product proliferation. The company had hundreds of products worldwide and relatively few interchangeable among countries. As a result of the hybrid globalization approach to market segmentation implemented between 1980 and 1990, Black & Decker has developed global products. The rule contemporarily prevailing in Black & Decker is that any new product must be designed for a world market. People within the organization are expected to think “world product” first; anything else has to be justified (Lambin, 1997).

This article aims to increase our knowledge of hybrid/universal segmentation by examining an integrated inventory of bases used in segmenting world markets. Given the lack of consensus regarding what qualifies as “bases” for segmentation of world markets, this research represents an attempt at advancing knowledge in this critical marketing decision area.

Literature review

There appears to be distinct trends in the international consumer segmentation literature when examined on a “school of thought” basis. An examination of these schools shows differences in determining the scope of market segmentation. The conventional wisdom approach determines international segments based on geopolitical and economic factors (see Table I). In this school of thought several studies focused on a country-by-country basis for analyzing “macro” segments (Sethi, 1971; Sheth, 1986; Kotler, 1986; Wind, 1986; Huszagh *et al.*, 1986; Daniels, 1987).

Some of the benefits of this approach include the “cross-fertilization” effect where firms build on the earlier success of their products in a given country or group of countries (Helsen *et al.*, 1993). However, critical issues have been raised as concerns regarding this approach that include: inadequacies in determining the diffusion patterns of new products, and overlooking cross-country market similarities (Helsen *et al.*, 1993; Hassan and Blackwell, 1994).

Another school of thought applies a non-conventional approach to determine segments based on behavioral factors (see Table II). The scope of segmentation here is based on behavioral factors that include degree of

Segmentation literature

Bases for segmentation	Segment(s) name	Author(s) date	Segment description
GNP, GNP distribution, size	Country segments	Kotler, 1986	Individual countries represent separate segments
GNP, GNP distribution, size, LDC technology level	Country grouping or clusters	Sethi, 1971; Porter, 1986; Wind, 1986; Huszagh <i>et al.</i> , 1986	Clusters with similar demographics, cultural patterns
	Import demand segments	Nachum, 1994	Two stage analysis of import data that includes factor scores and cluster analysis
Geographic proximity, economic integration, development levels	Regional segments	Daniels, 1987	World regions (country groupings) with similar characteristics for economies of scale
	Sourcing and purchasing of materials, components, technology	Frear <i>et al.</i> , 1995	Survey of 135 firms based in 42 countries. Clustering based on sourcing strategies
Cross-cultural patterns	Cultural segments	Whitlock, 1987	Similar cultural values and attributes across countries
Levels of economic development and trade	Pro-trade segments	Crawford <i>et al.</i> , 1988	Attitudes toward imported products in developed and developing countries
Product adaptation, country variables	Specialty products and market segments	Sheth, 1986	Product adaptation from one country segment to another

Table I. Schools of thought on segmenting world markets. The conventional wisdom approach (uses macro-level bases)

consumer responsiveness to elements of the marketing program. Here we find studies focusing on a micro-analytic scope in order to identify cross-country market segments (Whitlock, 1987; Kale and Sudharshan, 1987; Crawford *et al.*, 1988; Hassan and Katsanis, 1991).

Micro variables

The effectiveness of this non-conventional approach is attributed to the need for micro variables in any segmentation program in order to understand the nature of consumer orientation towards the product and its appeal (Wills *et al.*, 1991; Hassan and Blackwell, 1994; Luqmani *et al.*, 1994; Hofstede *et al.*, 1999; Smit and Neijens, 2000). For any segmentation approach to be effective it must include behavioral measures that determine the degree of consumer responsiveness to marketing programs. Several studies found consumer segments with similar behavioral patterns, product preferences, and predispositions that transcend geopolitical boundaries (Kale and Sudharshan, 1987; Hassan and Katsanis, 1991; Helsen *et al.*, 1993).

An analysis of these two schools of thought on global segmentation reveals a complex inventory of bases and methods that are presented in Tables I and II. The geopolitical school of thought based its investigation on country

Bases for segmentation	Segment(s) name	Author(s) date	Segment description
Lifestyle factors and product benefits	Across countries segmentation	Domzal and Unger, 1987	Psychographic segmentation and benefits analysis
	Core value segment	Lascu <i>et al.</i> , 1996	A cross-cultural study of terminal values held by different demographic within country segments
Responses to marketing	Strategically equivalent segments	Kale and Sudharshan, 1987	Segmentation tag response to a specific marketing mix
	Convenience orientation segments	Luqmani <i>et al.</i> , 1994	A cross-cultural measure of convenience orientation is used to cluster segments based on time-saving orientation and comfort-orientation
	Affinity segments	Smit and Neijens, 2000	Segmentation-based on affinity for advertising
	Consumer-product segments	Hofstede <i>et al.</i> , 1999	Segmentation-based on consumer-product relations
Cultural traits	Sensory segments	Moskowitz and Rabino, 1994	Divide consumers by the patterns of sensory characteristics that they like the most about a number of products
Attitudes	Attitude clusters	Verhage <i>et al.</i> , 1989	Similar consumer attitudes for specific products across countries
		Hassan and Katsanis, 1991	Profiling of global elites and teenagers
Hybrid factors (values, benefits, demographics, etc.)	Global segments	Kreutzer, 1988	Two-stage segmentation using environmental and behavioral indicators
Macro-level and micro-level diffusion parameters	Diffusion-based segments	Helsen <i>et al.</i> , 1993	Latent-structure method to accommodate the bass diffusion model

Table II. Schools of thought on segmenting world markets. The non-conventional wisdom approach (uses micro-level bases)

attractiveness and political stability criteria. These criteria for determining the scope of segmentation guided the development of research variables, methods, and strategies. Each country or groups of countries was viewed to be unique in terms of market forces. On the other hand, the behavioral school of thought emerged in response to the increasing activities of global corporations in the emerging markets of Eastern Europe and Russia. Several segmentation models, like VALS (values and lifestyles) that was originated for the US market, have been adapted for implementation in a global context. In this context, scope of segmentation refers to the extent to which the marketing organization defines the boundaries of markets to be served. The criteria examined in these behavioral studies include segment responsiveness and reachability factors. It is viewed that market behavioral factors are more dynamic and more reflective of the changing nature of the global marketplace than geopolitical factors and are generally more useful in an increasingly consumer-centric market.

An integrated approach

This paper calls for an integrated approach that determines global segments based on geopolitical/economic country characteristics as well as market responsiveness variables. It is viewed that an integrated approach will be a more realistic response to forces of market globalization. Therefore, effective global segmentation will be based on hybrid bases that includes relevant macro-level factors (i.e. geopolitical, economic, and regional) as well as appropriate micro-level variables (i.e. lifestyle and behavioral). The conceptual framework presented in this paper is based on synthesis of the segmentation literature. This synthesis of literature represents five major advances:

- (1) it integrates country variables with behavior patterns;
- (2) it is not based on assumed total homogeneity of the country segment;
- (3) it acknowledges the existence of a degree of similarity across national boundaries;
- (4) it considers the bases of segmentation to be dynamic in nature; and
- (5) it defines market globalization as a matter of degree.

Basic ideas

This integrated approach assumes that treating each country as a totally homogeneous market is not realistic (Jain, 1993). Also, it will be unrealistic to assume the existence of a single world segment that homogeneously responds to standardized marketing programs. The basic ideas of the integrated approach presented here are:

- It assumes various degrees of heterogeneity and homogeneity in buyers' preferences for global brands.
- Any degree of preference heterogeneity or homogeneity for global brands can be attributed to macro-bases (i.e. country factors), micro-bases (i.e. behavioral variables), and any combinations of interactions.
- Any degree of preference heterogeneity can be addressed by introducing adaptive variations in the marketing program.
- Any degree of preference homogeneity can be addressed by introducing standardized variations in the marketing program.

Historically, segmentation researchers have segmented the market based on objective presupposed attributes (e.g. Wind, 1978). This a priori segmentation method selects a pre-recognized battery of descriptive characteristics for each country. Contemporary segmentation research calls

Scope and bases of segmentation

for a micro-based measurement technique that focuses on buyer preferences. This *post hoc* method utilizes a battery of variables that investigate buyer preferences (Green and Krieger, 1991). A study by Helsen *et al.* (1993) examined these two methods and suggested a new latent structuring methodology that identifies simultaneously country-segments with clusters of responsive buyers. This hybrid model segments world markets based on: first, similar purchase patterns exhibited in multiple countries, and second, allowing countries to belong to different clusters. Therefore, effective segmentation methods ultimately must integrate country-based factors with buyer-based variables. The central question addressed in the current study is whether common universal bases might be identified in the macro (geopolitical and economic) bases for segmentation or the micro (behavioral) bases for segmentation.

Defining the bases for global market segmentation

A primary difference between calling a firm international or global involves the scope and bases of segmentation. An international firm is one with a scope of segmentation based on few national markets. A global firm is one that views the globe broadly as part of its total market and develops segmentation strategies based on receptive segments of the markets, wherever they are in the world. Figure 1 illustrates taxonomy of the bases for segmenting world markets.

As discussed above, most early segmentation efforts were based on macro considerations that include factors such as economic (e.g. Kotler, 1986), cultural (e.g. Whitlock, 1987); geographic (e.g. Daniels, 1987) and technological (e.g. Huszagh *et al.*, 1986). Current research found that these pre-determined country bases are inadequate for segmentation when considered without full consideration for buyer-response bases (Nachum, 1994; Helsen *et al.*, 1993). For example, pre-determined country clusters will

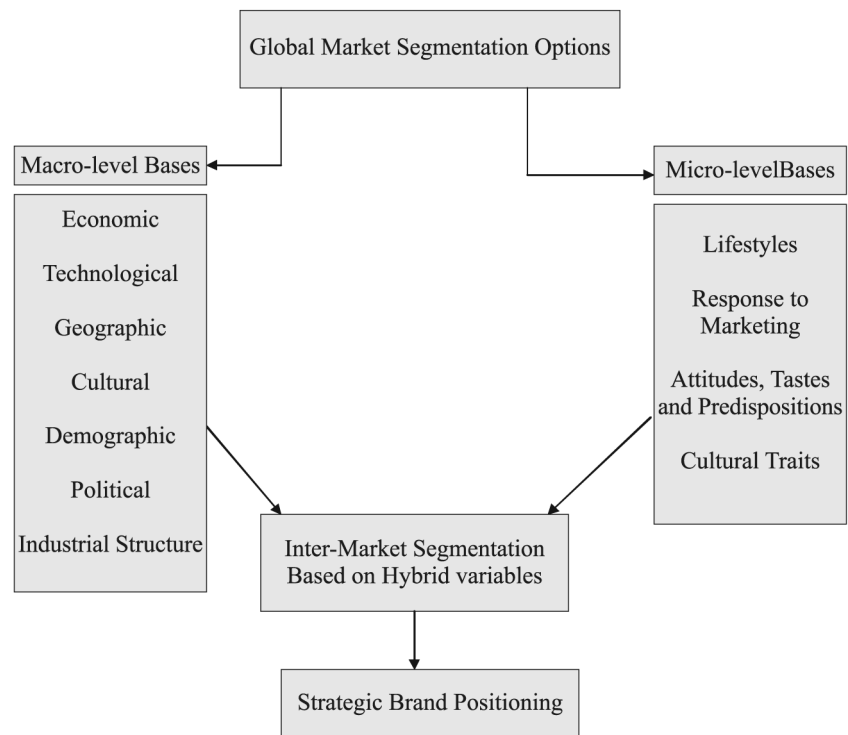


Figure 1. A framework for understanding the bases for global segmentation

Inter-market segmentation

be inadequate without a full account for the degree of homogeneity related to buyer's responsiveness to the global marketing program.

World markets have evolved to imply global segments defined based on market variables other than national boundaries. A hybrid approach that considers both country bases as well as buyer response bases is found to be more realistic. This inter-market segmentation approach refers to "ways of describing and reaching market segments that transcend national boundaries or that cut across geographically defined markets" (Hassan and Blackwell, 1994). This approach emphasizes that inter-market segments are based on variables other than national boundaries. There are sizable world markets where consumer segments are converging across cultural and national boundaries. The challenge in leveraging brand equity is to identify and profile these segments on an inter-market basis and to develop strategies to reach them with globalized brands. The existence of inter-market segments is a key condition for the success of global marketing programs. Inter-market segmentation strategies were developed as frameworks to evaluate markets on a worldwide basis and to identify indicators/attributes of brands that are suitable to the implementation of global marketing programs (Kreutzer, 1988; Luqmani *et al.*, 1994; Kale and Sudharshan, 1987; Helsen *et al.*, 1993).

Methodology

The current research study consisted of a mail survey targeted to high-level managers involved in segmentation decisions with a focus on the international arena. The study included both business-to-business and business-to-consumer marketing organizations.

Structured questionnaire

A structured questionnaire was mailed to 1,097 segmentation decision makers drawn from a list provided by the Institute for International Research. The contact names were selected at random from a listing of over 150,000 managers who are listed in the segmentation section of the institute's database. Respondents received a three-step integrative mailing beginning with a warning letter asking for participation, a letter accompanying the questionnaire, and a post-card reminder. Respondents were provided with a postage-paid business reply envelope. As an incentive, a charitable contribution was made to the respondents choice of The American Red Cross, The American Cancer Society or Amnesty International for each completion. In addition, the respondents could request a summary report of the results of the data collection. The study resulted in 112 completions for a response rate of 10.2 percent.

The study captured the degree of use of macro level bases. The questionnaire utilized 14 macro-level segmentation bases from the literature (see Table III). The respondents were asked to rate each attractiveness factor on a seven-point scale with 1 representing "never used" and 7 representing "always used". The study ($n = 107$) established the scale as having high reliability with a Cronbach's alpha score of 0.9040. Also, the questionnaire utilized 22 micro-level segmentation bases drawn from the literature (see Table IV). The respondents were asked to rate each within-country base on a seven-point scale with 1 representing "never used" and 7 representing "always used". The study ($n = 98$) established the scale as having high reliability with a Cronbach's alpha score of 0.9217.

Analysis

The analysis was conducted via principle components analysis – a form of factor analysis. The resulting factors were rotated via equamax rotation and

Questionnaire items	Macroeconomic	Macro-cultural factors	Geo-demographics
Country level of economic development	0.848		
Country legal/regulatory environment	0.789		
Level of industrialization	0.777		
Form of government	0.759		
Political stability	0.755		
Country level of technological innovation	0.730		
Country per-capita income	0.651		
Communication infrastructure	0.618		
Market-orientation of economy	0.597		
Type of dominate religion		0.811	
Language of country		0.718	
Cultural identity		0.576	
Geographic location			0.775
Population demographics			0.714
Reliability Measure (alpha)	0.9148	0.6621	0.4678

Notes: Extraction method: principal component analysis. Rotation method: Verimax with Kaiser normalization. A rotation converged in six iterations. Loadings below 0.46 have been suppressed

Table III. Macro-level segment bases factor loadings. Rotated component matrix

Questionnaire items	Demographics	Attitude and usage	Micro-culture	Brand loyalty
Age	0.850			
Income	0.815			
Gender	0.781			
Education	0.768			
Family size	0.747			
Lifestyle	0.708			
Occupation	0.651			
Buyer needs		0.877		
Buyer wants		0.867		
Segment size		0.676		
Product benefits		0.674		
Attitude toward product		0.631		
Religion			0.838	
Ethnicity			0.771	
Regional identity			0.721	
Urbanization of dwellings			0.583	
Language			0.528	
Social class			0.472	
Degree of existing loyalty				0.843
Degree of potential loyalty				0.823
Frequency of product use				0.651
Personality				0.467
Reliability measure (alpha)	0.8646	0.7470	0.3673	0.8233

Notes: Extraction method: principal component analysis. Rotation method: Verimax with Kaiser normalization. A rotation converged in seven iterations. Loadings below 0.4 have been suppressed

Table IV. Within-country segment bases factor loadings from prior study. Rotated component matrix

**Macro- and
micro-segmentation bases**

Kaiser normalization for the purpose of aiding analysis. As a condition of running the factor analysis, coefficient alpha was used to assure interim reliability.

The current research identified three underlying macro-level segmentation bases including macroeconomics, geo-demographics, and cultural factors (see Table III). In addition, there appear to be four underlying micro-level segment bases including demographics, attitude and usage, culture, and brand loyalty. As will be discussed, the results of the current research hold important implications for understanding segmentation in the global market and for the positioning of brands relative to those defined segments.

The conceptual framework and empirical analysis undertaken by this paper has provided a strong support to the hybrid approach that integrates the micro and macro-bases of global market segmentation. This support is evident in the significantly close effectiveness of geopolitical and economic factors versus behavioral and lifestyle segmentation variables. This near-equivalence is reflected in the conceptual theorization underlying the rationale underlying each group of segmentation bases, the factor loadings produced by the principal components analysis of the underlying dimensions of each group of segmentation bases and the coefficients of determination (R^2) resulting from regression analysis of the influence of each segmentation approach on the variation in the positioning strategies adopted afterwards and their implications to marketing effectiveness.

Main outcome

So the main outcome that can be safely concluded as a valid interpretation of this paper's theoretical and empirical analysis is that, with the globalization of the world markets, there are more opportunities to create market potential through stimulating demand for products with universal appeal. Global market segmentation is a methodology in which a global perspective can be adopted to market products with similar appeals worldwide. The objective is to reveal in different countries, regions and/or clusters of countries, groups of buyers having the same expectations and requirements *vis-à-vis* products, despite cultural and national differences, in other words, targeting the global consumers. Those segments, even if they are relatively small in size within each country/region/cluster, may represent in total a very attractive market opportunity for the global marketer. To adjust to local discrepancies, the physical product or essential aspects of a service package can be customized through peripheral services, accessories or inexpensive modifications. The potential for globalization is not the same for each product category and different approaches can be adopted for global brand appeals.

Dimensions of global brand appeals

A comprehensive understanding of a brand's emic and etic appeal within a culture is a basic requirement for successful inter-market segmentation. Consumer psychologists borrowed these terms from linguistics. Phonemic notation describes sound with meaning only in a specific culture. Phonetic notation refers to a general system, which describes sounds in all languages. Emic and etic considerations have important implications for marketing research (Douglas and Craig, 1983).

Brand benefits

Brand benefits must be weighted carefully within the context of significant points of emic distinctions, such as differences in values and attitudes, economic resources, urbanization, family decision making or other variables. At the same time, successful global marketers often transcend cultural, structural, and regional differences by crafting product appeals based on etic value dimensions. The challenge is to build the core of the marketing

Understanding universal values

strategy on etic universals while acknowledging fundamental emic differences in local plans of action.

Understanding universal values can be the basis of much standardization. Consider the universal desire for beauty. In a sense, many young women in Tokyo, New York, Istanbul and Berlin are not only “sisters under the skin”, but also on their skin, lips, fingernails, and even in their hairstyles. Consequently, they are likely to have similar cosmetics with similar appeals. Etic appeals to mother-child love, freedom from pain or embarrassment, good health, and family security may be universal.

Understanding emic distinctions, such as lifestyle behavior within a culture, often exposes profit opportunities. For example, Avon found door-to-door cosmetic sales success in developing countries long after the technique became relatively obsolete in America. Avon understood that affluent women in these countries with high usage of beauty products were typically still at home during the day.

Coke is widely acknowledged for tempting etic appeals to youth and vitality. Yet, while Coke maintains a highly standardized world-wide focus, it still displays finely-tuned emic appeals in various markets. Spanish Coke enthusiasts see the soft drink as an excellent mixer, Italians replace wine with Coke as a dinner drink, and the Chinese view Coke as a refined luxury drink for only the most fortunate.

Important decisions

Implications for global brand positioning

Market segmentation and brand positioning are the most important decisions that companies face in the global marketplace. The identification of market segments (i.e. country groups and within-country segments) and physical product configurations both assist in the determination of global marketing strategy (Porter, 1986); and a global marketing strategy needs to be integrated in the overall global strategy of the firm. This process occurs in a competitive context with other brands under the same product category or in cases of competing categories that seek to satisfy buyer desires.

The relationship between market segmentation and product positioning is a key condition for success of any global marketing strategy (Douglas and Wind, 1987). Clearly, determining the strategic attractiveness of any inter-market segment is a prerequisite for the successful deployment of global brand marketing programs. Determination of the strategic attractiveness of any inter-market segment should be based on criteria such as reachability, receptivity, stability, measurability, sustainability, and profitability.

Strategically attractive market segments

The issue of focusing on strategically attractive market segments, in the context of the competitive strategy of the firm, is linked to developing and managing standardized marketing programs and processes (Kale and Sudharshan, 1987; Kreutzer, 1988; Hassan and Katsanis, 1991). Developing and assessing the most competitive standardized marketing programs and process to target global segments is a major challenge facing today’s global firms. Care must be exercised in the execution of standardized marketing programs. For example, certain standardized strategies were fatal to firms in the toy and automobile industries (Kashani, 1989). In global marketing, five pitfalls were identified. These pitfalls include lack of formal research, tendency to overstandardize, inadequate follow-up, narrow scope of coordination, and lack of flexibility in execution (Kashani, 1989).

As a wrap up, in the largest majority of market situations, some extent of multi-domestic adaptation could be deemed necessary. The core essence of

hybrid global market segmentation can be stated as follows: “think of global similarities and adapt to local differences”. This universal perspective of market segmentation should aid global marketers to spot similarities across national boundaries while assessing within-country differences. The strategic options susceptible to adoption to visualize hybrid or universal global market segmentation, contingent on the diversity of expectations and cultural background, is configured by Blanche (1987) in the form of three types of product policy to be considered, namely:

- (1) Universal product where the physical product sold in each country is identical except for labeling and the language used in the manuals.
- (2) Modified product where the core product is the same, but some modifications are adopted, such as voltage, color, size or accessories, to accommodate government regulations or to reflect local differences in taste, buying habits, climate, etc.
- (3) Country-tailored product whereby the physical product is substantially tailored to each country or group of countries without losing the main essence and perceived benefits of the product.

Financial implications

The financial and cost-benefit differential implications of these alternative product policies in response to hybrid global market segmentation are particularly important and highly relevant to each specific company and category of products. This is mainly because products are not equal as far as global vocation is concerned, and some products may be more straightforward than others to develop as world brands in pursuit of a hybrid global segmentation.

There are some universally recognized world brands that were the outcome of deliberate market segmentation, targeting and positioning adopted by the global company concerned as outlined explicitly by their strategic business plans or policy guidelines. Some of these brands were above mentioned at the outset of this literature review including: Coca-cola, Marlboro, Kodak, Honda, Mercedes, Heineken, Swatch, Canon, Gucci, British Airways, Perrier, Black & Decker, Hertz, Heinz, Benetton, McDonald’s, Godiva, America On Line, Hotmail, Nokia, Sony, Toyota, Marriot, Fersenious and others. It is worth noting that the popularity of these brands is largely independent (but not totally) of the attitude towards their country of origin (with few exceptions like McDonald’s, BBC and CNN) (Quelsh and Hoff, 1986).

Universal vocation of a product

In practice, the universal vocation of a product is closely linked to the universality of the benefit sought which indicates that benefit segmentation should be an integral part of any hybrid global market segmentation strategy. Accordingly, it could be argued that, to the extent that a product is a proven success in meeting the needs of a particular group of buyers with a specific expectations of product benefits in a given country, it is logical to expect a similar success with the same group of people in another country, provided the product is adapted to local consuming habits and/or regulations.

In conclusion, the key success factor in making hybrid global market segmentation bring about its economies of scale advantages is to find global core products that address cross-cultural analogous utility functions. In other words, the driving factor in moving towards global market segmentation ought to be the efficient world-wide use of good marketing ideas rather than scale economies from standardization, which then would be automatically optimized (Quelsh and Hoff, 1986).

High-tech/high-touch poles

One proposed argument for making global brands based on hybrid segmentation is the theme that the closer the product is to the high-tech/high-touch poles, the more universal it becomes. These two product categories have in common the features of being high-involvement products and of sharing a common language, as explained by Domzal and Unger (1987):

- High-tech products appeal to highly specialized buyers who share a common technical language and symbols. This is the case among computer and Internet users, tennis players, physicians using medical equipment, and musicians who all understand the technical aspects of the products. This is true not only for heavy machinery, computer hardware, and financial services, but also for personal computers and laptops, video equipment, TV games, skiing equipment, etc. The mere existence of a common “shop talk” facilitates communication and increases the chance of success as a global brand.
- High-touch products are more image-oriented than product-features-oriented, but they respond to universal themes or needs, such as romance, wealth, heroism, play, etc. Many products, such as fragrance, fashion, jewellery and watches, recreation resorts and others are sold on these themes.

So, hybrid global market segmentation could be thought of as most relevant and robustly effective for these two product categories, since buyers all over the world are using and understanding the same language, symbols and connotations. So hybrid global segmentation and, subsequently, world-wide brand standardization, appear most feasible when products approach either end of the high-tech/high-touch spectrum (Domzal and Unger, 1987).

Standardization and adaptation

Conclusions – the way ahead

The main conclusion of this research is augmentation of the argument that a global market segmentation strategy should serve as the conceptual link and action mechanism that provides substance and rationale to striking a tradeoff between the two indispensable global strategy ends of standardization and adaptation. This balanced relationship can only be created when focus is devoted to building brand equity and inserting standardization of quality through emphasizing the concept of global customer grounded on the adoption of generic customer needs and characteristics as bases for segmentation away from cultural peculiarities. On the other hand, market orientation should be maintained to guard against overlooking significant and relevant product-related cultural differences through the proportionate adoption of cultural and social segmentation factors. Striking such a balance between global brand equity and culture-specific market orientation should be expected to result in marketing positioning strategies that are a true reflection of a carefully and realistically blended mix of differentiated and undifferentiated elements throughout all strategic dimensions of the marketing mix variables. The conceptual and empirical findings of this paper pave the way for embarking on promising and relevant research streams that are needed to substantiate and enrich the academic understanding and enact managerial practice of hybrid global market segmentation strategies.

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Further reading

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This summary has been provided to allow managers and executives a rapid appreciation of the content of this article. Those with a particular interest in the topic covered may then read the article in toto to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present

Executive summary and implications for managers and executives

People – not nations – buy consumer products and services

The traditional ideas about international marketing need revisiting because the scale of changes in international travel, communications and parallel developments in advertising are – in the views of many people – altering the nature of consumer markets. The simple dichotomy between standardization and regional differentiation do not reflect real strategies, nor does this dichotomy reflect the developing concept of globalisation and global marketing.

Hassan, Craft and Kortam present a thorough review of the issues arising from global marketing strategies and the problems that are associated with market segmentation. Central to this debate are the issues that divide firms – a production-driven desire for standard products and marketing's desire to achieve the highest possible level of sales revenue. Hassan et al. describe the compromise involved here when they observe that the firm's ultimate agenda "... is not to have an identically uniform product line worldwide, rather the strategic marketing end is to come up with a product mix that is as standardized as possible, while recognizing that allowances for some local conditions are sometimes both necessary and desirable."

Political, economic and cultural segmentation

Hassan et al. outline what they call the "conventional wisdom approach" to international market segmentation. In essence this approach uses the recognized national and regional boundaries as the basis for analysis and in this context uses geopolitical, economic and cultural measures to inform the development of marketing strategy. It is clear that, on one level at least, this approach makes sense since it allows the implementation of marketing strategy to make use of national media markets which have the greatest degree of impact.

This country and region based approach sits at the heart of traditional international marketing planning approaches. Individual countries or groups of countries are assessed on the basis of market opportunities, market access and local cultural or social factors. The resulting matrix then drives the implementation of an international marketing strategy. The result is either a single positioning and standard advertising delivered in diverse markets through tactical adjustments, or else a set of differentiated market positions delivered through a range of specific marketing strategies at the level of the individual country or region.

The upshot of this approach (whichever outcome emerges) is a constrained marketing planning system that excludes conventional approaches to market segmentation within individual national markets. Put simply, international marketing strategies and domestic marketing strategies do not start from the same analytical basis, resulting in conflict in implementation or the creation of overcomplicated marketing plans.

The rise of the global consumer

Hassan et al.'s second approach to international marketing is described as "non-conventional" and focuses on behavioural factors rather than the country-based factors described above. This can – for the sake of simplicity – be described as applying home market segmentation approaches to a global market. No allowance is made for the differences in level of economic development, geopolitical considerations or cultural factors. What matters is

the search for behavioural commonalities across international boundaries. This is not, in itself, the search for the “global consumer”, but reflects a view that the principal behavioural motivations, especially as regards consumption, are common wherever we go in the world.

The problem with this approach is the opposite of that facing “conventional” international marketing planning in that the easily identifiable cultural, linguistic and economic differences between nations are set to one side in the planning process. However, when it comes to implementation, these variables need to be reconsidered since they have a significant and material effect on marketing tactics and plan implementation.

The problems here are further complicated by the debate about the “global consumer”. At first this seems to support the use of the non-conventional approach to international marketing planning since these global consumers are – by definition – rising above the constraints of national markets. But this is to oversimplify, since language, culture and economy remain important.

A combined approach to international marketing planning

What needs to emerge is a consensus between these two positions. After all, the realities of marketing in any given nation or region do require consideration be given to culture, language and economic development. But these macro level considerations are only part of the story.

Market segmentation is an essential tool in the development of marketing plans and strategies – by homing in on the consumers’ behavioural characteristics we improve the effectiveness of advertising and communications. And, just as we know that in domestic markets effective segmentation combines “hard” demographics with “soft” behaviour, the high level strategies of international marketing require consideration of macro level issues (GDP, language, culture, etc.) and micro level issues (buyer behaviour, motivations, attitudes, etc.).

Hassan et al. argue rightly that “. . . effective segmentation methods ultimately must integrate country-based features with buyer-based variables.” This situation means that traditional approaches to marketing research in international markets require re-examination in order to develop strategies that reflect the realities of modern global markets. Businesses that manage to combine the disciplines of traditional international marketing planning with more recent developments in segmentation techniques.

Hassan et al.’s conclusions send a clear message to international marketers about the changes wrought by globalisation. “The objective is to reveal in different countries, regions and/or clusters of countries, groups of buyers having the same expectations and requirements vis-à-vis products, despite cultural and national differences, in other words; targeting the global consumer.”

(A précis of the article “Understanding the new bases for global market segmentation”. Supplied by Marketing Consultants for Emerald.)