Target Marketing Program Development and Product Adaptation International Markets

Ruth M. Tappin © 2011

Capella University
Abstract

Target marketing is a key management decision that involves identifying the market that an organization wishes to capture. It is an integral part of market segmentation, which is a process that seeks to identify and groups with similar characteristics and needs. An important benefit of market segmentation is that it allows a company to reduce the distance between itself and the target customer. This paper discusses strategies for identifying and evaluating an international target market, provides detailed, in-depth strategies for obtaining and retaining the identified market, and provides an explanation and analysis of how to determine whether a product or service needs to be customized for the identified market.
# TABLE OF CONTENTS

Abstract ........................................................................................................................................... 2

Introduction: Target Marketing ...................................................................................................... 4

Target Market Identification and Evaluation in International Markets ........................................ 4
  Globalization .................................................................................................................................. 5
  Benefits of International Expansion .............................................................................................. 5
  International Target Marketing ....................................................................................................... 6

Market Capture and Retention Strategies ....................................................................................... 7
  Adaptation and Standardization ..................................................................................................... 8

Trust-building as a Strategy ............................................................................................................. 9
  Social ties and psychic distance ...................................................................................................... 10
  Other strategies ............................................................................................................................ 10

Determinants of Marketing Plan Success ......................................................................................... 11

Summary ....................................................................................................................................... 12

Conclusion ..................................................................................................................................... 13

References ..................................................................................................................................... 15
Introduction: Target Marketing

Target marketing is a key management decision that involves identifying the market that an organization wishes to capture; a target market is, according to Cahill (1997), simply the market or submarket (segment) that the firm directs its marketing message to (para. 1). It is an integral part of segmentation - a process that seeks to identify groups with similar characteristics and needs that a company seeks to satisfy better than its competitors (Cahill, 1997; Simkin and Dibb, 1998). According to Brooksbank (1994) market segmentation allows a company to reduce the distance between itself and the target customer (p. 11). Common criteria in segmenting markets include demographics (who customers are by age, sex, ethnicity, etc.), geographics (where customers are located) and psychographics (i.e. what customers think, their likes, behavior, etc). This paper discusses strategies for identifying and evaluating an international target market, provides detailed, in-depth strategies for obtaining and retaining the identified market, and provides an explanation and analysis of how to determine whether a product or service needs to be customized for the identified market.

Target Market Identification and Evaluation in International Markets

In identifying a target market, businesses must determine the attractiveness of a market before they embark on plans to target that market; however, defining what an attractive market is remains problematic for researchers (Simkin and Dibb, 1998). Cooper (1993) defined an attractive market as one that has few competitors, potential for growth, few players and a customer base with an unsatisfied need (also Simkin and Dibb, 1998). Abratt (1993), Corey (1975), and McDonald and Dunbar (1995) share similar views that market attractiveness has to do with potential growth, potential profit, segment size, accessibility to the market, and market
fit with organizational goals (in Simkin and Dibb, 1998, para. 5). These criteria help to focus the organization’s efforts toward identifying, targeting and segmenting the market.

**Globalization**

*Globalization* presents unique opportunities and significant challenges for businesses (Hill, 2000). Increased global competition, facilitated in a large part by the Internet and technology that allows transaction between firms and consumers to occur effortlessly across borders in real time, presents unique challenges to marketing practitioners. For example, Dekimpe and Lehmann (2004) point out that there is no consensus among marketing researchers about what international marketing strategies work and what do not because the research does not yet exist that sheds light on this (in Robson, 2005; Clark, 2005). That is because, according to Robson (2005), requirements for international strategies in one market may be quite different in another market (p. 30), and “the usual domestic environmental audit is not sufficient for the more complex international market” (Clark, 2005). The international market environment is complex and turbulent (Lim, et al, 1993); yet, even so, there are compelling reasons why a firm might consider expanding internationally.

**Benefits of International Expansion**

Some of these reasons include gaining access to new or emerging markets, the opportunity to gain first entrant competitive edge and create global brand recognition, the opportunity to lower production costs by increasing volume as demand rises in the new markets, and also to moderate domestic competition (Sánchez and Goldberg, 2005). Albaum and Tso (2001) are of the opinion that firms seek entry into international markets because they have had an advantage over their competitors in their domestic markets and seek to leverage and exploit this advantage in overseas markets in order to achieve economies of scale (p. 60) and increase
profitability. Lim et al (1993) point to the attitude of top management toward international marketing opportunities and management’s willingness to commit resources to the endeavor as two internal determinants that affect international marketing strategy (p. 106). Since the international marketing environment is far more complex than domestically, firms must also monitor barriers to export and domestic market conditions because poor domestic economic conditions can be a determinant in a firm’s entry into international markets (Lim et al, p. 106).

**International Target Marketing**

Just as they must do in their domestic markets, firms that are expanding internationally must identify and evaluate their target market segments for, as pointed out by Ou et al (2009), market segment evaluation is vitally important to the development of international markets (p. 527). This is in agreement with Hofstede (1999) who further pointed out that the marketing environment has become so competitive that firms must target their products at markets that span national boundaries; however, in order to be competitive in global markets they must “thoroughly understand and respond to the core values and needs of those consumers” (p. 2). Hofstede (1999) also noted that one effect of globalization is that consumer behavior transcends national borders because population groups in different countries “often have more in common than with those in the same country” because of their “receptivity to global brands and foreign products across the world” (p. 2); therefore, marketing managers must identify these global market segments and provide products that respond to their needs and requirements. When evaluating foreign markets, conditions such as the political system, the stability and transparency of its legal environment, and the country’s infrastructure must also be considered (Wood and Robinson, 2000).
Market Capture and Retention Strategies

How firms compete have bearing on the share of markets that they will capture and hold. Large firms, and firms with extensive international experience, typically have unique resources that they can leverage for entry into new markets and gain first entrant advantage (Zhao and Hsu, 2007) but that alone is insufficient to retain their hold on their markets. A successful strategy must “fit the features of the environment in which it is implemented” (Baack, 2008, p. 125); therefore, in an international context, different strategies must be employed in different environments and countries. In forming marketing strategies to enter domestic and international markets, it was Michael Porter’s opinion that the environment was like an arena and he proposed that five fierce environmental forces determined a company’s competitiveness and profitability; these were:

- Threat of new entry by other firms
- Intensity of rivalry amongst existing firms
- Pressure from substitute products
- The bargaining power of buyers
- The Bargaining power of suppliers (Ormanidhi and Stringa, 2008).

These were broad considerations that applied to all industries (hence generic) and the strength of each force was determined by the specific industry; nonetheless, the combined influences of these forces affected the competitiveness of each firm. In order to compete successfully in this type of market environment Porter proposed three specific strategies based on cost differentiation; cost leadership, and focus; focus could be further defined as cost focus, differentiation focus or cost and differentiation focus - a combination of both (Ormanidhi and Stringa, 2008). A differential strategy has to do with the customer’s perception of the difference
between the firm’s product and its competitor’s; a cost leadership strategy has to do with offering a product at a lower price than a competitor, and a focus strategy deals with narrowing the previous two strategies on a particular market segment (Ormanidhi and Stringa, 2008). Porter’s five forces model and generic strategy have informed marketing managers since he introduced the ideas in 1980 and have bearing on other marketing strategies. However, although Porter believed that his generic strategies could be applied to all markets - including international ones - Baack and Boggs, 2005, disagree. In considering emerging markets, for example, they point out that although these markets are growing rapidly, they are very volatile and unstable. They have a pent-up demand for goods from foreign countries, suggesting that cost might not be as important a need consideration for these markets; therefore, a cost-leadership strategy should not be used in these places. They suggest, instead, the use of focus, differentiation, or other strategies (p. 134).

Adaptation and Standardization

Two types of strategies that have been studied and may be used when developing a marketing program for international markets are adaptation and standardization strategies. Albaum and Tse (2001) mentioned the fact that several researchers have endorsed adaptation strategy as a means of capturing foreign target markets. An adaption strategy is one that is different from the firm’s domestic strategy in that it “involves changing the elements or components of the marketing mix to fit needs, real or imagined, in particular country markets” (Albaum and Tse, 2001, pp. 59-60). This means that specific marketing activities are performed differently across different markets (p. 60); for example, to capture and retain a targeted international market, products and packaging must be adapted to appeal to, and satisfy, local tastes. If MacDonald’s were to expand into India, for example, they would have to consider that in India Hinduism is the major religion and Hindus hold the cow sacred; therefore, they will not
eat burgers made with beef, but they will eat sausage patties made with pork. In Muslim countries such as Pakistan, India’s neighbor, the pig is held in abhorrence so they will not eat sausage patties, but they will eat burgers made of beef. In this case the international marketing strategy must be adjusted to the different cultures and the taste of the consumer for, as shown, religion and culture determine that MacDonald’s products must be customized for the local target market. An adaptation strategy seems logical since many local differences exist between buyers in different countries (Solberg, 2008); however, a standardization strategy (usually in place in the domestic market) is also very attractive and also has distinct benefits in international marketing programs.

Such a strategy (standardization) might work better in Europe where customer tastes might be similar to that of the American consumer in many cases, so product or packaging might not have to be changed; therefore, some benefits of standardization lie in its ease of administration, it costs reduction and the opportunity it provides for a brand to establish a global image (Solberg, 2008, p. 523; Schilke et al, 2009). However, according to Schilke, results have been inconclusive about the efficacy of a standardization strategy in international markets (2009). The economies of scale gained by standardization have to be weighed against the local acceptance of the marketing mix (Solberg, 2008). The challenge for international marketing managers is in deciding which marketing mix elements they should standardize or adapt, the extent to which they should implement either, and under what conditions they should do so (Robson, 2005, p. 30).

**Trust-building as a Strategy**

Another strategy Robson discusses is based on Morgan and Hunt’s (1994) relationship trust-building theory in which studies have shown trust to have worked in domestic markets as a
means of coordinating activities with marketing partners and reducing transaction costs (p. 31).

Trust building as an element of an international marketing program is seen as being especially important in cross-border marketing relationships since firms that are seeking entrance into these new markets are often unfamiliar with the customs, culture and laws in these places; therefore, trust-building can help to create value for the international customer when firms partner and work with overseas intermediators such as distributors or joint venture partners in order to advance each other's interests (Robson, 2005; Lim et al, 1993).

**Social ties and psychic distance.**

Zhao and Hsu (2007) also contend that developing social ties is important to a company’s successful entrance into foreign markets as this can aid in positioning the company in the market, build social capital, and reduce the “psychic distance” between a firm and its market (p. 819). Psychic distance relates to the factors that prevent a firm from understanding its foreign environment; examples include language, education, culture, religion, and business practices (p. 819). However, building trust relationships as an element of an international marketing program is not without its challenges because trust may mean different things to different people in different cultures. Research has yet to deal comprehensively with this issue (Robson, 2005). In any case, collaboration among all stakeholders – domestic and foreign - is a vital element to forming, implementing, capturing and retaining foreign markets.

**Other strategies.**

Other strategies that have been proposed to capture international target markets include:

- Competitive strategies in which the company adopts a challenger or follower strategy
- Operational mode strategies in which alliances and integration strategies are adopted
- Pace strategies in which rapid or stepwises strategies are employed (Solberg, 2008, p. 526)
Once a firm enters a foreign market, in order to retain that market segment, it must continually monitor, evaluate and adjust as necessary the performance of its marketing plan; it must also develop continuing familiarity with the local marketing environment and develop a stable infrastructure (Sánchez and Goldberg, 2005; Albaum and Tse, 2001, Anwar and Capko, 2001); additionally, as mentioned earlier, trust-building relationships must be forged and maintained.

**Determinants of Marketing Plan Success**

As previously mentioned, globalization and rapid technological changes have introduced much uncertainty and turbulence in the market environment. Although there is not clear consensus concerning international marketing strategies, there is common agreement among marketing researchers that there is a direct link between organizational success and marketing strategies (McDonald, 2006) and that careful strategic planning and execution are foundational to the success of any marketing plan - but more so when entering international markets because growth pains multiply at this time (Hill, 2000, para. 2). Foundational marketing plan considerations include:

- The corporate mission and objectives, which will determine which particular markets are of interest
- External data such as market research
- Internal data which flow from ongoing operations

Lim et al (1993), refer to extant research that attributes a variety of internal and external factors that determine marketing success in the international arena. These factors include: managerial support of the marketing plan; the firm’s capacity and available resources; management’s commitment to support the endeavor with appropriate resources; the nature of a firm’s product;
exclusive market intelligence (market research, data collection and analysis); its target markets, price advantage, technological orientation, superior distribution networks and “relationships with external entities” (p. 105; also Zhao and Hsu (2007); domestic market conditions, and barriers to export.

**Tools for Measuring Marketing Plan Success**

The value of a marketing plan (domestic or international) is “its effectiveness, which requires deliberate and timely implementation and monitoring and evaluation of results” (Anwar and Capko, 2001, p. 43); therefore, an evaluation plan should be created. During and after implementation the plan must be monitored, reviewed and adjusted to respond to changing circumstances. The results of the implemented marketing plan must be measured against the standards that were set in the when the goals of the plan were established (Anwar & Capko, 2001). Some tools that can be used to measure the success of international marketing plans include real-time tracking of products when they are first introduced; employing the use of standardization information services that monitor the sales of a variety of products; use of the internet to gather and monitor information and sales activities; consumer panels, scanner services and store audits (Cravens and Piercy, 2009).

**Summary**

One of the goals of target marketing is to identify opportunities in the marketplace. One of the ways that this is accomplished is through identifying segments of the marketplace that share similar attributes and needs, and to use this information to position the company’s offering ahead of the competition in the mind of the customer in order for the business to gain competitive edge. Globalization has increased competitive pressures in the marketplace; therefore, in this turbulent business and economic landscape marketing practitioners need to be
able to understand and overcome the many challenges that arise in a fast-changing environment. In order to compete in a global economy, they must be knowledgeable in current marketing research techniques, agile in responding to change and astute in identifying their target markets and satisfying their needs.

**Conclusion**

This paper discussed considerations that must inform the development of target marketing initiatives in international markets and suggested strategies for identifying and evaluating an international target market. It also provided detailed, in-depth strategies for obtaining and retaining the identified market, and provided an explanation and analysis of how to determine whether a product or service needs to be customized for the identified market. It found that companies seeking to expand internationally need to develop certain expertise and competencies in international marketing. For example, they must also consider such things as why they wish to do compete in an international market, who their target market is, and they must also consider the local culture and customs of their target markets. They must decide on whether to adopt a strategy of standardization, adaptation, or a blend of both as they pertain to the marketing-mix elements; additionally, they must decide whether they will adopt a cost differentiation strategy or a cost leadership strategy – and how both might be moderated by standardization or adaptation. They must know who their competitors are and how their products compare. They must also understand the legal and regulatory environment that they will be operating in, and take into consideration taxes and exchange rates in order to determine their effect on marketing strategies. Additional considerations must be given to building relational networks and collaboration among all stakeholders, who to contact for specialized services, and how they will be paid (Sánchez & Goldberg, 2005). Ultimately, in order to introduce products to
international markets, firms must have a sound strategic marketing plan that has realistic goals and is based on knowing its internal strengths and capabilities and its external environments. This information is gained through sound research and can also be provided by using techniques such as SWOT and PESTS analyses.
References


Cooper, R.G. (1993), Winning at new products: Accelerating the process from idea to launch, Addison-Wesley, Reading, MA.


