7

The international market selection process

Contents

Learning objectives

After studying this chapter you should be able to do the following:

- **Define international market selection and identify the problems in achieving it.**
- **Explore how international marketers screen potential markets/countries using secondary and primary data (criteria).**
- **Distinguish between preliminary and 'fine-grained' screening.**
- **Realize the importance of segmentation in the formulation of the global marketing strategy.**
- **Choose among alternative market expansion strategies.**
- **Distinguish between concentration and diversification in market expansion.**

7.1 Introduction

Identifying the 'right' market(s) to enter is important for a number of reasons:

- It can be a major determinant of success or failure, especially in the early stages of internationalization.
- This decision influences the nature of foreign marketing programmes in the selected countries.
- The nature of geographic location of selected markets affects the firm's ability to coordinate foreign operations.

In this chapter a systematic approach to international market selection (IMS) is presented. A study of recently internationalized US firms showed that on average firms do not follow a highly systematic approach. However, those firms using a systematic sequence of steps in IMS showed a better performance (Yip *et al.*, 2000).

7.2 International market selection: SMEs versus LSEs

The international market selection process is different in small and medium-sized enterprises (SMEs) and large-scale enterprises (LSEs).

In the SME, the IMS is often simply a reaction to a stimulus provided by a change agent. This agent can appear in the form of an unsolicited order. Government agencies, chambers of commerce and other change agents may also bring foreign opportunities to the firm's attention. Such cases constitute an externally driven decision in which the exporter simply responds to an opportunity in a given market.

In other cases, the IMS of SMEs is based on the following criteria (Johanson and Vahlne, 1977):

- Low 'psychic' distance: low uncertainty about foreign markets and low perceived difficulty of acquiring information about them. 'Psychic' distance has been defined as differences in language, culture, political system, level of education or level of industrial development.
- Low 'cultural' distance: low perceived differences between the home and destination cultures ('cultural' distance is normally regarded as part of 'psychic' distance).
- Low geographic distance.

Using any one of these criteria often results in firms entering new markets with successively greater psychic distance. The choice is often limited to the SMEs' immediate neighbours, since geographic proximity is likely to reflect cultural similarity, more knowledge about foreign markets and greater ease in obtaining information. When using this model the decision maker will focus on decision making based on incrementalism where the firm is predicted to start the internationalization by moving into those markets they can most easily understand. It is generally believed that SMEs and firms which are early in their internationalization process are more likely to use a 'psychic' distance or other 'rules of thumb' procedures than LSEs with international experience (Andersen and Buvik, 2002).

By limiting their consideration to a nearby country, SMEs effectively narrow the IMS into one decision: to go or not to go to a nearby country. The reason for this behaviour can be that SME executives, usually being short of human and financial resources, find it hard to resist the temptation of selecting target markets intuitively.

In a study of internationalization in Danish SMEs Sylvest and Lindholm (1997) found that the IMS process was very different in 'old' SMEs (established before 1960) from that in 'young' SMEs (established in 1989 or later). The young SMEs entered more distant markets much earlier than the older SMEs, which followed the more traditional 'step-by-step' IMS process. The reason for the more rapid internationalization of young SMEs may be their status as subsuppliers to larger firms, where they are 'pulled out' to international markets by their large customers and their international networks.

While SMEs must make first entry decisions by selecting targets among largely unknown markets, LSEs with existing operations in many countries have to decide in which of them to introduce new products. By drawing on existing operations, LSEs have easier access to product-specific data in the form of primary information that is more accurate than any secondary database. As a result of this the LSEs can be more proactive. Although selecting markets based on intuition and pragmatism can be a satisfying way for SMEs, the following will be based on a more proactive IMS process, organized in a systematic and step-by-step analysis.

However, in 'real life' the IMS process will not always be a logical and gradual sequence of activities, but an iterative process involving multiple feedback loops (Andersen and Strandskov, 1998). Koch (2001) suggests that the IMS and the entry mode decision (see Chapter 8) should be considered as two aspects of one decision – the MEMS model (**M**arket and **E**ntry **M**ode **S**election).

Another 'real life' example is found in many small subcontracting firms when they do not actively select their foreign markets. The decision about IMS is made by the partner obtaining the main contract (main contractor), thus pulling the SME into international markets (Brewer, 2001; Westhead *et al.*, 2002).

7.3 Building a model for international market selection

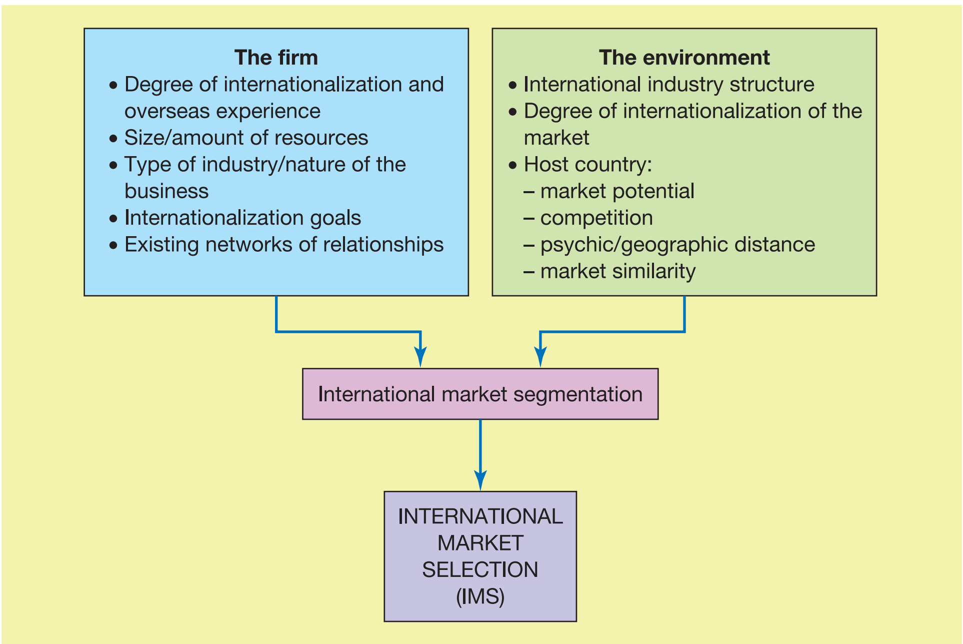
Research from the Uppsala school on the internationalization process of the firm has suggested several potential determinants of the firm's choice of foreign markets. These can be classified into two groups: (1) environmental and (2) firm characteristics (see Figure 7.1). This approach of integrating both internal and external variables in the IMS is supported by new research results (see e.g. Sakarya *et al.*, 2007).

Let us look first at the environment. How do we define 'international markets'? The following approach suggests two dimensions:

1 The international market as a country or a group of countries.
2 The international market as a group of customers with nearly the same characteristics. According to this latter definition a market can consist of customers from several countries.

Most books and studies in global marketing have attempted to segment the world market into the different countries or groups of countries. This has been done for two principal reasons:

Figure 7.1 Potential determinants of the firm's choice of foreign markets



1 International data are more easily (and sometimes exclusively) available on a nation-by-nation basis. It is very difficult to acquire accurate cross-national statistical data.
2 Distribution management and media have also been organized on a nation-by-nation basis. Most agents/distributors still represent their manufacturers only in one single country. Few agents sell their products on a cross-national basis.

However, country markets or multicountry markets are not quite adequate. In many cases boundary lines are the result of political agreement or war and do not reflect a similar separation in buyer characteristics among people on either side of the border.

Presentation of a market-screening model

In Figure 7.1 an outline model for IMS was presented. In the following we will look in more detail at the box labelled 'international market segmentation'. The elements of IMS are shown in Figure 7.2.

Steps 1 and 2: Defining criteria

In general, the criteria for effective segmentation are as follows:

- *measurability*: the degree to which the size and purchasing power of resulting segments can be measured;
- *accessibility*: the degree to which the resulting segments can be effectively reached and served;
- *substantiality/profitability*: the degree to which segments are sufficiently large and/or profitable;
- *actionability*: the degree to which the organization has sufficient resources to formulate effective marketing programmes and 'make things happen'.

Figure 7.2 International market segmentation

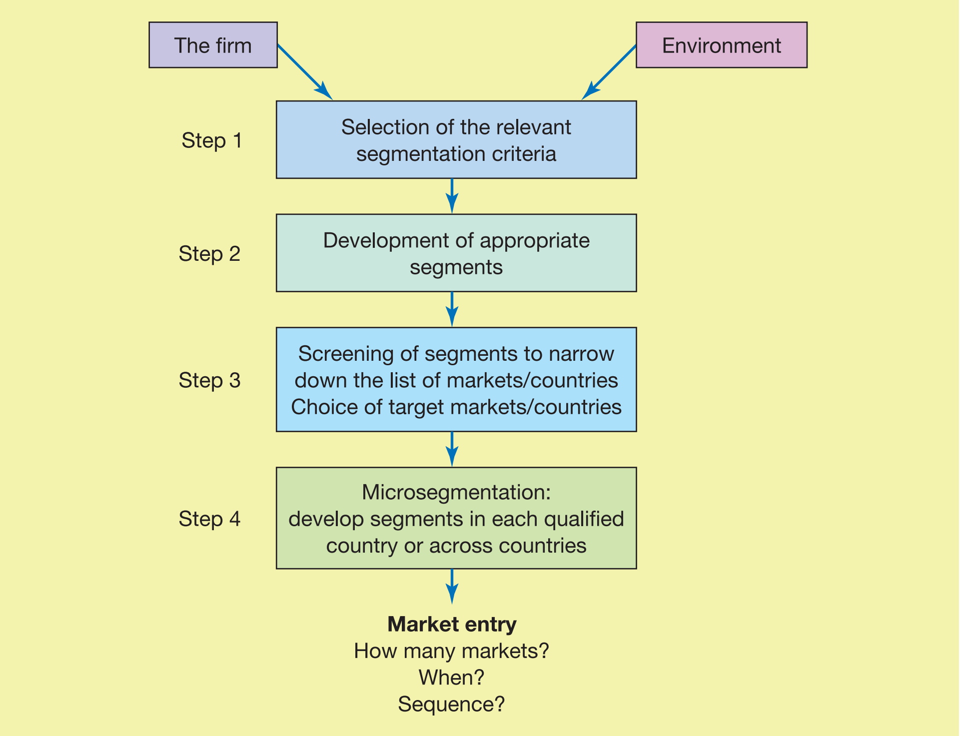
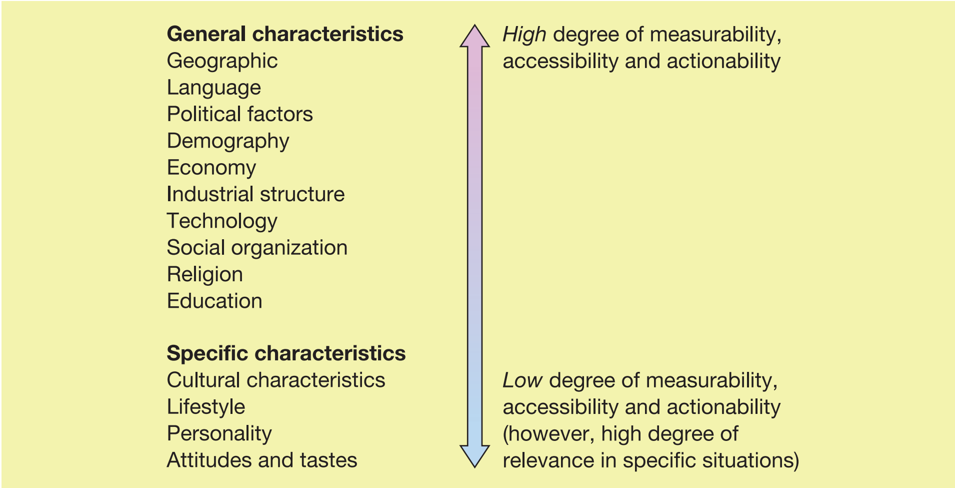


Figure 7.3 The basis of international market segmentation



A high degree of measurability and accessibility indicates more general characteristics as criteria (at the top of Figure 7.3) and vice versa.

It is important to realize that more than one measure can be used simultaneously in the segmentation process.

In Chapters 5 and 6 the different segmentation criteria in the international environment were discussed and structured according to the following PEST approach:

- political/legal;
- economic;
- social/cultural;
- technological.

We will now describe in more detail the general and specific criteria mentioned in Figure 7.3.

General characteristics

Geographic location

The location of the market can be critical in terms of segmenting world markets. Scandinavian countries or Middle Eastern countries may be clustered not only according to their geographic proximity, but also according to other types of similarity. However, the geographic location alone could be a critical factor. For instance, air conditioning needs in some of the Arab countries could make a manufacturer consider these countries as specific clusters.

Language

Language has been described as the mirror of the culture. On one level its implications for the international marketer are self-evident: advertising must be translated; brand names must be vetted for international acceptability; business negotiations must often be conducted through expensive interpreters or through the yet more expensive acquisition of a foreign translator. In the latter case genuine fluency is essential; persuasion and contract negotiation present enough difficulties even in a mother tongue.

Less obvious is the fact that foreign language may imply different patterns of thought and different customer motivations. In such cases a knowledge – again, a good knowledge – of the language will do more than facilitate communication; it provides automatic insight into the relevant culture.

Political factors

Countries may be grouped and world markets segmented according to broad political characteristics. Until recently the Iron Curtain was the basis of one such division. In general terms, the degree of power that the central government has may be the general criterion for segmentation. It is possible, for instance, that a company is producing certain chemicals but that, due to government regulations, many of the world markets may be considered too difficult to enter.

Demography

Demographics is a critical basis for segmentation. For instance, it is often necessary to analyse population characteristics in terms of the proportion of elderly people or children in the total population.

If the country's population is getting older and the number of infants per thousand is declining, which is the case in some European countries, a baby food company would not consider entering that country. In Europe birth rates are tumbling and life spans lengthening. Baby-based industries from toys to foods and nappies face sharp competition. Consumer electronics and housing may also be affected.

Economy

As the earlier studies have indicated, economic development level could be a critical variable for international market segmentation. Electric dishwashers or washer–dryers require a certain level of economic development. There is not a good market for these products in India. However, in western European countries these products are becoming almost a basic necessity. On the basis of the level of economic development certain specific consumption patterns emerge. Societies with high personal income spend more time and money on services, education and recreation. Thus it may be possible to arrange certain income groups from different countries into certain clusters.

Industrial structure

A country's industrial structure is depicted by the characteristics of its business population. One country may have many small retailers; another country may rely on a large number of department stores for retail distribution. One country may be thriving on small manufacturers; another may have very concentrated and large-scale manufacturing activity. The type of competition that exists at the wholesale level may be the critical specific factor for clustering international markets. The international marketer may wish to work with a series of strong wholesalers.

Technology

The degree of technological advancement or the degree of agricultural technology may easily be the basis for segmentation. A software company planning to enter international markets may wish to segment them on the basis of the number of PCs per thousand of the population. It may not be worthwhile for this company to enter markets below a certain number of PCs per thousand of the population. For example, it may find Pakistan, Iran and most Arab countries, all of Africa and all of eastern Europe less than satisfactory for entry.

Social organization

The family is an important purchasing group in any society. In Europe marketers are accustomed to either the so-called nuclear family, with father, mother and children all living together under one roof, or, increasingly as society changes, the single-parent family. In other countries the key unit is the extended family, with three or four generations all in the same house.

In the United States, for instance, socioeconomic groupings have been used extensively as segmentation tools. A six-category classification is used: upper upper class, lower upper, upper middle, lower middle, upper lower and lower lower. The US high-income professionals are relegated to the lower upper class, described as those 'who have earned their position rather than inherited it', the *nouveaux riches*.

In contrast, it would have been hard to find useful socioeconomic groupings in Russia beyond white-collar worker, blue-collar worker and farm worker.

Religion

Religious customs are a major factor in marketing. The most obvious example, perhaps, is the Christian tradition of present giving at Christmas, yet even in this simple matter pitfalls lie in wait for the international marketer: in some Christian countries the traditional exchange of presents takes place not on Christmas Day but on other days in December or early January.

The impact of religion on marketing becomes most evident in the case of Islam. Islamic laws, based on the Koran, provide guidance for a whole range of human activities, including economic activity.

Education

Educational levels are of importance to the international marketer from two main standpoints: the economic potential of the youth market and, in developing countries, the level of literacy.

Educational systems vary a lot from country to country. The compensation for on-the-job training also varies a great deal. As a result the economic potential of the youth market is very different from country to country.

In most industrialized countries literacy levels are close to 100 per cent and the whole range of communications media is open to the marketer. In developing countries literacy rates can be as low as 25 per cent, and in one or two 15 per cent or less, although at such low levels the figures can be no more than estimates. In those same countries television sets and even radios are economically beyond the reach of most of the population, although communal television sets are sometimes available. The consumer marketer faces a real challenge in deciding on promotional policies in these countries, and the use of visual material is more relevant.

Specific characteristics

Cultural characteristics

Cultural characteristics may play a significant role in segmenting world markets. To take advantage of global markets or global segments firms require a thorough understanding of what drives customer behaviour in different markets. They must learn to detect the extent to which similarities exist or can be achieved through marketing activities. The cultural behaviour of the members of a given society is constantly shaped by a set of dynamic variables that can also be used as segmentation criteria: language, religion, values and attitudes, material elements and technology, aesthetics, education and social institutions. These different elements were dealt with more extensively in Chapters 5 and 6.

Lifestyles

Typically activity, interest and opinion research is used as the tool for analysing lifestyles. However, such a research tool has not quite been developed for international purposes. Perhaps certain consumption habits or practices may be used as an indication of the lifestyle that is being studied. Food consumption habits can be used as one such general indicator. Types of food eaten can easily indicate lifestyles that an international food company should be ready to consider. For example, Indian-style hot curries are not likely to be very popular in Germany given its rather bland cooking. Very hot Arab dishes are not likely to be very popular in western Europe.

Personality

Personality is reflected in certain types of behaviour. A general characteristic may be temper, so that segmentation may be based on the general temper of people. Latin Americans or Mediterranean people are known to have certain personality traits. Perhaps those traits are a suitable basis for the segmentation of world markets. One example is the tendency to haggle. In pricing, for instance, the international firm will have to use a substantial degree of flexibility where haggling is widespread. Haggling in a country such as Turkey is almost a national pastime. In the underground bazaars of Istanbul the vendor would be almost offended if the customer accepted the first asking price.

Attitudes, tastes or predispositions

These are all complex concepts, but it is reasonable to say that they can be utilized for segmentation. Status symbols can be used as indicators of what some people in a culture consider would enhance their own self-concept as well as their perception among other people.

Step 3: Screening of markets/countries

This screening process can be divided in two:

1 *Preliminary screening*. This is where markets/countries are screened primarily according to external screening criteria (the state of the market). In the case of SMEs the limited internal resources (e.g. financial resources) must also be taken into account. There will be a number of countries that can be excluded in advance as potential markets.
2 *Fine-grained screening*. This is where the firm's competitive power (and special competences) in the different markets can be taken into account.

Preliminary screening

The number of markets is reduced by 'coarse-grained', macro-oriented screening methods based on criteria such as the following:

- restrictions in the export of goods from one country to another;
- gross national product per capita;
- cars owned per 1,000 of the population;
- government spending as a percentage of GNP;
- population per hospital bed.

When screening countries it is particularly important to assess the political risk of entering a country. Over recent years marketers have developed various indices to help assess the risk factors in the evaluation of potential market opportunities. One of these indices is the Business Environment Risk Index (BERI). An alternative for BERI is e.g. BMI (Business Monitor International). Users of country risk analysis at the two websites (www.Geri.com and www.businessmonitor.com) will normally have to pay for the services.

BERI
Business Environment Risk Index – a useful tool in the coarse-grained, macrooriented screening of international markets.

BMI and BERI measure the general quality of a country's business climate. They assess countries several times a year on different economic, political and financial

Table 7.1 Criteria included in the overall BERI index

Criteria	Weights	Multiplied with the score (rating) on a scale of 0–4[a]	Overall BERI index[b]
Political stability	3		
Economic growth	2.5		
Currency convertibility	2.5		
Labour cost/productivity	2		
Short-term credit	2		
Long-term loans/venture capital	2		
Attitude towards the foreign investor and profits	1.5		
Nationalization	1.5		
Monetary inflation	1.5		
Balance of payments	1.5		
Enforceability of contracts	1.5		
Bureaucratic delays	1		
Communications: phone, fax, internet-access	1		
Local management and partner	1		
Professional services and contractors	0.5		
Total	25	× 4 (max.)	= Max. 100

[a] 0 = unacceptable; 1 = poor; 2 = average conditions; 3 = above average conditions; 4 = superior conditions.
[b] Total points: >80 favourable environment for investors, advanced economy. 70–79 not so favourable, but still an advanced economy. 55–69 an immature economy with investment potential, probably an NIC. 40–54 a high-risk country, probably an LDC. Quality of management has to be superior to realize potential. <40 very high risk. Would only commit capital if some extraordinary justification.

factors, typically on a scale from 0 to 4. The overall index ranges from 0 to 100 (see Table 7.1).

The BERI and BMI index has been questioned as a general management decision tool and should therefore be supplemented by in-depth country reports (e.g. from www.state.gov/misc/list) before final market entry decisions are made.

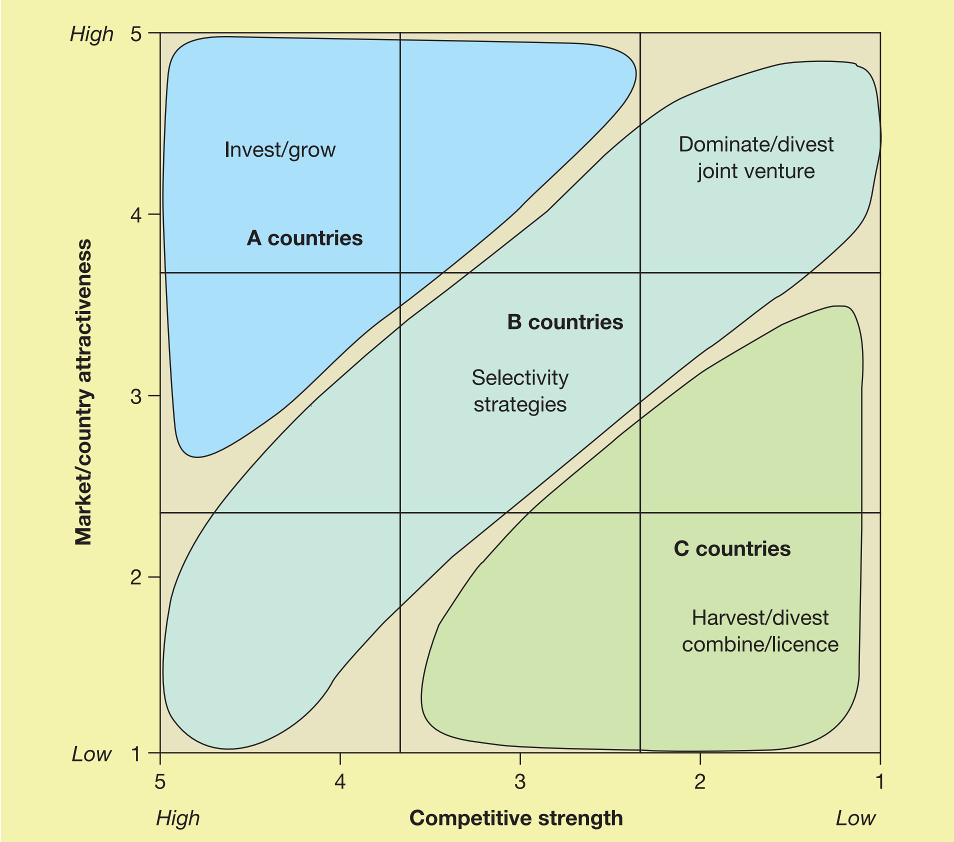
Among other macro-oriented screening methods is the *shift-share approach* (Green and Allaway, 1985; Papadopoulos and Denis, 1988; Papadopoulos *et al.*, 2002). This approach is based upon the identification of relative changes in international import shares among various countries. The average growth rate of imports for a particular product for a 'basket' of countries is calculated and then each country's actual growth rate is compared with the average growth rate. The difference, called the 'net shift', identifies growing or declining markets. This procedure has the advantage that it takes into account both the absolute level of a country's imports and their relative growth rate. On the other hand, it examines only those criteria and does not take into account other macro-oriented criteria.

'Fine-grained' screening

As the BERI index focuses only on the political risk of entering new markets a broader approach that includes the competences of the firm is often needed.

For this purpose a powerful aid to the identification of the 'best opportunity' target countries is the application of the market attractiveness/competitive strength matrix (Figure 7.4). This market portfolio model replaces the two single dimensions in the

Figure 7.4 The market attractiveness/competitive strength matrix



BCG growth–share matrix with two composite dimensions applied to global marketing issues. Measures on these two dimensions are built up from a large number of possible variables, as listed in Table 7.2. In the following, one of the important dimensions will be described and commented upon.

Table 7.2 Dimensions of market/country attractiveness and competitive strength

Market/country attractiveness	Competitive strength
Market size (total and segments)	Market share
Market growth (total and segments)	Marketing ability and capacity (country-specific know-how)
Buying power of customers	Products fit to market demands
Market seasons and fluctuations	Price
Average industry margin	Contribution margin
Competitive conditions (concentration, intensity, entry barriers, etc.)	Image
Market prohibitive conditions (tariff/non-tariff barriers, import restrictions, etc.)	Technology position
Government regulations (price controls, local content, compensatory exports, etc.)	Product quality
Infrastructure	Market support
Economic and political stability	Quality of distributors and service
Psychic distance (from home base to foreign market)	Financial resources
	Access to distribution channels

Market size

The total market volume per year for a certain country/market can be calculated as:

Production (of a product in a country)
+ import
– export
= theoretical market size
+/– changes in stock size
= effective market size

Production, import and export figures can usually be found in the specific country's statistics, if it is a standardized product with an identifiable customs position.

A more precise location of a particular country (in Figure 7.4) may be determined by using the questionnaire in Figure 7.5.

As seen from Figure 7.4 one of the results of this process is a prioritzied classification of countries/markets into distinct categories:

- *A countries*. These are the primary markets (i.e. the key markets), which offer the best opportunities for long-term strategic development. Here companies may want to establish a permanent presence and should therefore embark on a thorough research programme.
- *B countries*. These are the secondary markets, where opportunities are identified but political or economic risk is perceived as being too high to make long-term irrevocable commitments. These markets would be handled in a more pragmatic way due to the potential risks identified. A comprehensive marketing information system would be needed.
- *C countries*. These are the tertiary or 'catch what you can' markets. They will be perceived as high risk, and so the allocation of resources will be minimal. Objectives in such countries would be short term and opportunistic; companies would give no real commitment. No significant research would be carried out.

Step 4: Develop subsegments in each qualified country and across countries

Once the prime markets have been identified firms then use standard techniques to segment markets within countries, using variables such as the following:

- demographic/economic factors;
- lifestyles;
- consumer motivations;
- geography;
- buyer behaviour;
- psychographics, etc.

Thus the prime segmentation basis is geographic (by country) and the secondary is within countries. The problem here is that, depending on the information basis, it may be difficult to formulate fully secondary segmentation bases. Furthermore, such an approach can run the risk of leading to a differentiated marketing approach, which may leave the company with a very fragmented international strategy.

The drawback of traditional approaches lies in the difficulty of applying them consistently across markets. If a company is to try to achieve a consistent and controlled marketing strategy across all its markets it needs a transnational approach to its segmentation strategy.

Figure 7.5 Underlying questionnaire for locating countries on a market attractiveness/competitive strength matrix

Time of analysis:
Analysis of product area:
In country:

A. Market attractiveness

	1 Very poor	2 Poor	3 Medium	4 Good	5 Very good	% Weight factor	Result (grading × weight)
Market size							
Market growth							
Buying structure							
Prices							
Buying power							
Market access							
Competitive intensity							
Political/economic risks							
etc.							
Total						100	

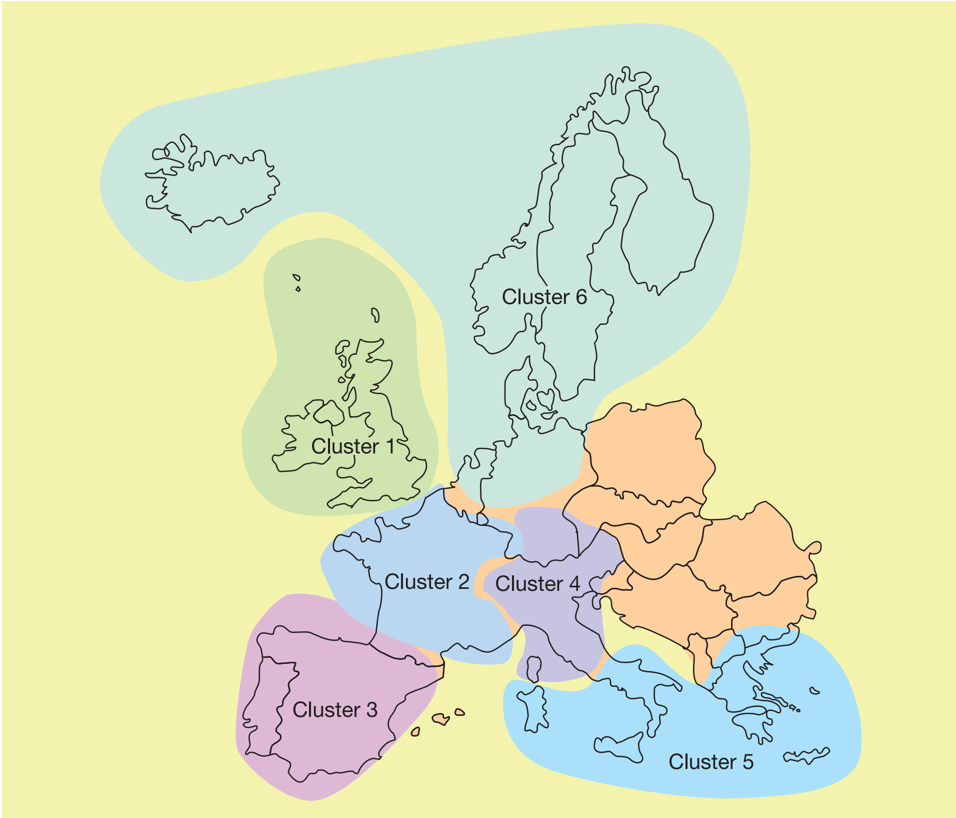
Market attractiveness = Result : 100 = ...

B. Relative competitive strength
with regard to the strongest competitor = ...

	1 Very poor	2 Poor	3 Medium	4 Good	5 Very good	% Weight factor	Result (grading × weight)
Products fit to market demands							
Prices and conditions							
Market presence							
Marketing							
Communication							
Obtainable market share							
Financial results							
etc.							
Total						100	

Relative competitive strength = Result : 100 = ...

Figure 7.6 Transnational clustering of the western European market



Source: Welford and Prescott, 1996. *European Business: An issue-based approach*, 3rd Edition. Reprinted by permission of Pearson Education Ltd.

It can be argued that companies competing internationally should segment markets on the basis of consumers, not countries. Segmentation by purely geographical factors leads to national stereotyping. It ignores the differences between customers within a nation and ignores similarities across boundaries.

Cluster analysis can be used to identify meaningful cross-national segments, each of which is expected to evoke a similar response to any marketing mix strategy. Figure 7.6 shows an attempt to segment the western European market into six clusters.

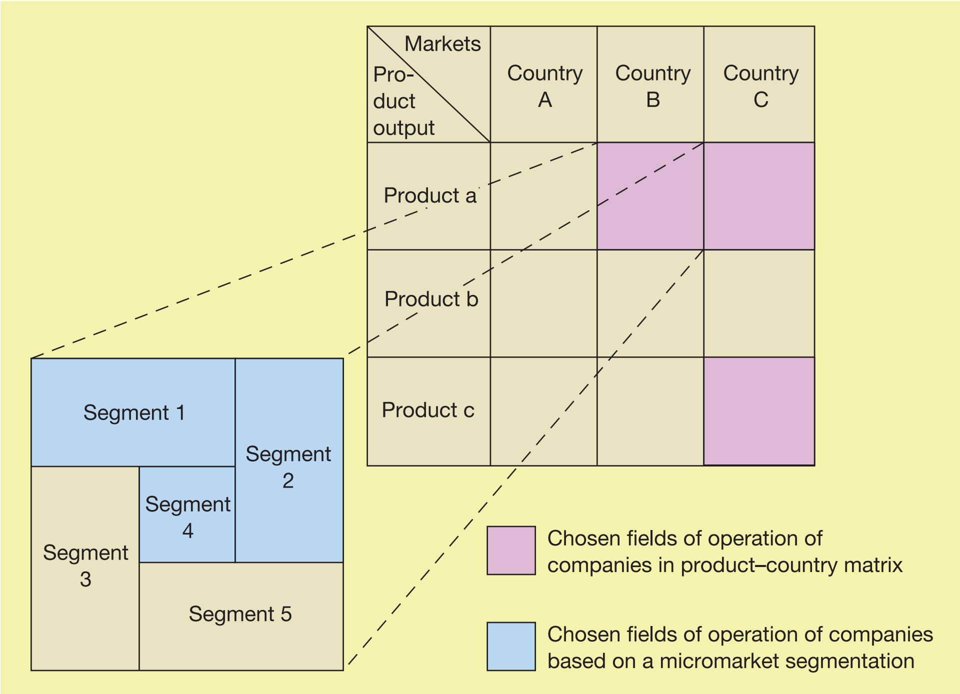
Once the firm has chosen a certain country as a target market the next stage in the micro segmentation process is to decide with which products or services the company wishes to become active in the individual countries. Here it is necessary to make a careful market segmentation, especially in the larger and more important foreign markets, in order to be in a position to exhaust the market potential in a differentiated manner (Figure 7.7).

In this context it is necessary to draw attention to a specific strategic procedure, which is oriented worldwide towards similar market segments. Here it is not the country-specific market attractiveness that influences the decision on specific markets, but the recognition of the existence of similar structures of demand and similar consumer habits in segments (and perhaps only in small segments) of different markets.

An illustration of the whole international market segmentation/screening process (steps 1–4 in Figure 7.2) is seen in Figure 7.8.

The model in Figure 7.8 begins by regarding the world market as the potential market for a firm's product. However, if the firm only regards western Europe as a possible

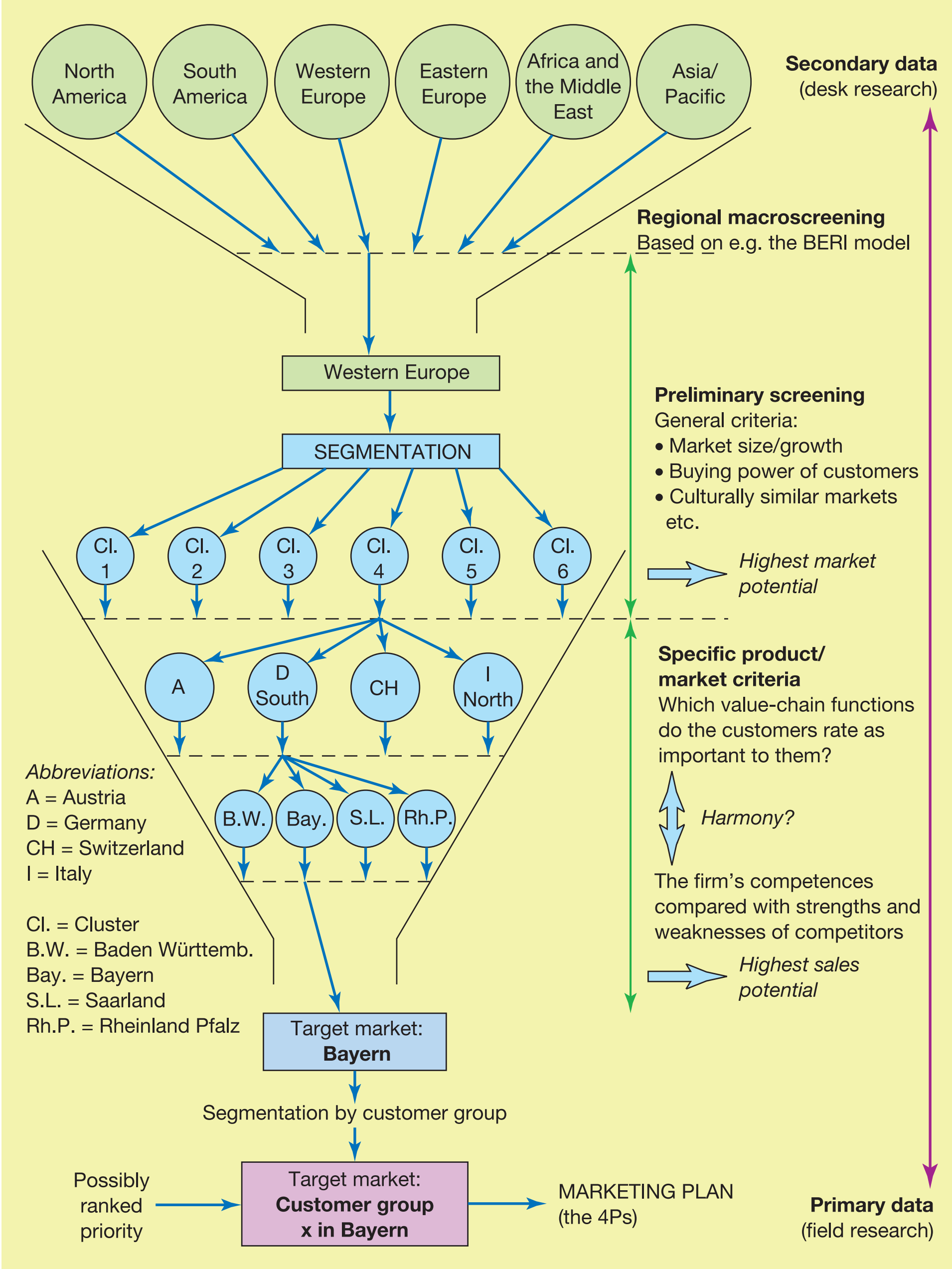
Figure 7.7 Micromarket segmentation



market, then the firm may start the screening process at this lower level. The six western European clusters are based on the transnational clustering in Figure 7.6. The further down in the model, the greater the use of primary data (personal interviews, field research, etc.), as well as screening from internal criteria. Furthermore, the firm may discover a *high market potential* in some geographic segments. However, this is not the same as a *high sales potential* for the firm's product. There may be some restrictions (e.g. trade barriers) on the exporting of products to a particular country. Also the management of the company may have a certain policy to select only markets that are culturally similar to the home market. This may exclude far distant countries from being selected as target markets, though they may have a high market potential. Furthermore, to be able to transform a high market potential into a high sales potential, there must be a harmony between the firm's competences (internal criteria) and the value-chain functions that customers rate as important to them. Only in this situation will a customer regard the firm as a possible supplier, equal to other possible suppliers. In other words, in making the IMS, the firm must seek synergy between the possible new target market and its own strengths, objectives, and strategy. The firm's choice of new international markets is very much influenced by the existence of complementary markets and marketing skills gained in these markets.

In general, Figure 7.8 is based on proactive and systematic decision-making behaviour by the firm. This is not always a realistic condition, especially not in SMEs, where a *pragmatic approach* is required. Often firms are not able to segment from their own criteria but must expect to be evaluated and chosen (as subsuppliers) by much larger firms. The pragmatic approach to IMS can also give rise to the firm choosing customers and markets with a background similar to the managers' own personal network and cultural background. Contingencies, serendipity and 'management feel' play an important role in both early and late phases of IMS. In a qualitative study of Australian firms Rahman (2003) found, that an important factor that firms take into consideration at

Figure 7.8 **The international market segmentation/screening process: an example of the proactive and systematic approach**



the final stage of evaluating the attractiveness of foreign markets is 'management feel'. One of the companies said:

> At the end of the day much of the decision depends on the management's feel about the market. There will always be some uncertainties in the market, particularly when you are deciding about the future, and international markets are no exception in this regard. So, we managers will have to make the decision within the limited information available to us, and 'gut feel' plays a big role in that (Rahman, 2003, p. 124).

7.4 Market expansion strategies

The choice of a market expansion strategy is a key decision in export marketing. First, different patterns are likely to cause development of different competitive conditions in different markets over time. For example, a fast rate of growth into new markets characterized by short product life cycles can create entry barriers towards competitors and give rise to higher profitability. On the other hand, a purposeful selection of relatively few markets for more intensive development can create higher market shares, implying stronger competitive positions.

In designing their strategy firms have to answer two underlying questions:

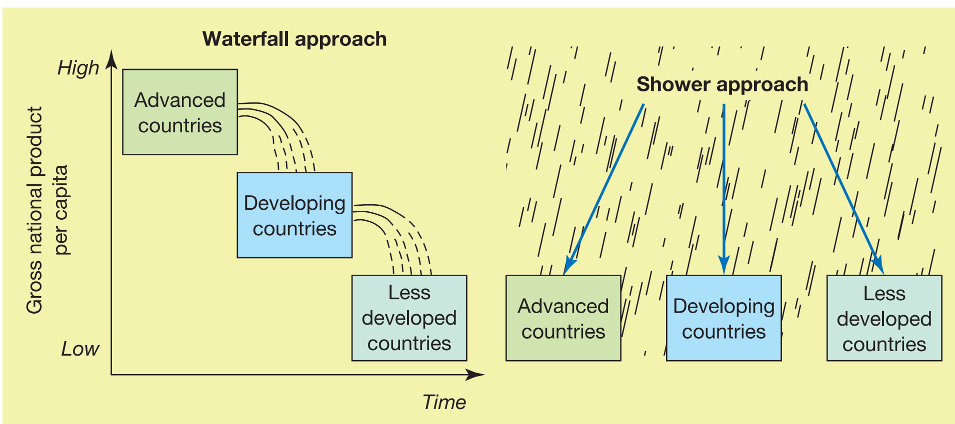
1. Will they enter markets incrementally (the waterfall approach) or simultaneously (the shower approach) (see Figure 7.9)?
2. Will entry be concentrated or diversified across international markets?

Incremental versus simultaneous entry

A firm may decide to enter international markets on an incremental or experimental basis, entering first a single key market in order to build up experience in international operations, and then subsequently entering other markets one after the other. Alternatively, a firm may decide to enter a number of markets simultaneously in order to leverage its core competence and resources rapidly across a broader market base. (Read about Sanex's shower approach in Exhibit 7.1)

For the big global company the two strategies can be translated into the concept of the *international product life cycle* (Vernon, 1966), as illustrated in Figure 7.8. See also Figure 11.14, later.

Figure 7.9 The incremental strategy (waterfall approach) and simultaneous strategy (the shower approach)



Source: *Global Marketing Management*, 5th edn, by Keegan, Warren J. © Pub. Pearson Education, Inc., Upper Saddle River, NJ 42–43.

Exhibit 7.1 Sanex's aggressive search for cross-border niches: an example of the diversification approach

Sanex was developed as a liquid personal soap in 1984. Its success was established quickly – within a year it had gained market leadership in Spain. Soon afterwards it was bought by the US consumer giant Sara Lee, which has four main product sectors:

1. packaged meats and bakery products;
2. personal products;
3. coffee and groceries;
4. household and personal care products.

Source: © Sanex Global Brand.

The market basis for Sanex was the growing shower gel market in Europe. Consumers were moving from the ritual of bathing to the more hygienic routine of showering. The Sanex concept of healthy skin fitted perfectly with this trend. The word 'Sanex' is derived from sano, which is Spanish for 'healthy'. The idea behind the positioning was to build up a cross-border (European) concept of health in consumers' minds. This positioning strategy was in contrast to the positioning of the established players such as Procter & Gamble, Unilever, Colgate-Palmolive and Henkel. They were marketing their products under the cosmetic umbrella with strong perfume and colours, and high levels of detergents, supported by the sort of advertising familiar in the cosmetic industry, using beautiful women and exotic surroundings.

The market expansion strategy of Sanex was to launch the product simultaneously on a number of European markets (the 'shower approach' in Figure 7.9). The idea behind this strategy was that Sanex should obtain a 'first-mover advantage', which meant that the big competitors did not have time to copy the product concept before Sanex had product extensions ready for international market launching. The concept of Sanex's shower gel was well understood in most countries, but the potential for the brand would be different. If the habit of showering was well established, the opportunity for Sanex would be better. But in the United Kingdom, for example, baths are still very important, although the frequency of showering has increased. In another big potential market, the United States, people use bars of soap, although they have recently begun to switch to liquid soap.

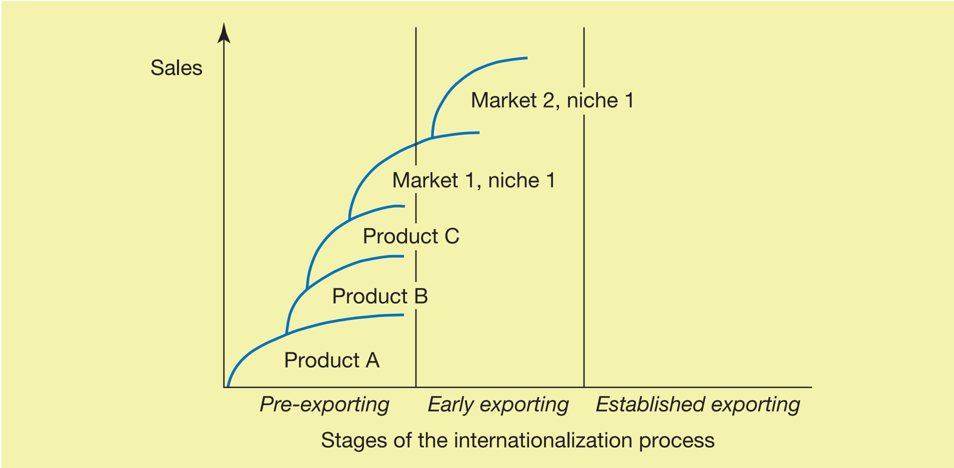
In a relatively short time Sanex succeeded in developing and launching a broad range of products, including deodorants, colognes and body milk. With 1995 revenues of almost $100 million a year, Sanex is now marketed throughout Europe and the Far East.

Sources: Mazur and Lannon, 1993, p. 23.

Entry on an incremental basis, especially into small markets, may be preferred where a firm lacks experience in foreign markets and wishes to edge gradually into international operations. Information about, and familiarity with, operating in foreign markets are thus acquired step by step. This strategy may be preferable if a company is entering international markets late and faces entrenched local competition. Equally, if a firm is small and has limited resources, or is highly risk averse, it may prefer to enter a single or a limited number of markets and gradually expand in a series of incremental moves rather than making a major commitment to international expansion immediately.

Some companies prefer a rapid entry into world markets in order to seize an emerging opportunity or forestall competition. Rapid entry facilitates early market penetration across a number of markets and enables the firm to build up experience rapidly. It also enables a firm to achieve economies of scale in production and marketing by integrating and consolidating operations across these markets. This may be especially desirable if the product or service involved is innovative or represents a significant technological advance, in order to forestall pre-emption or limitation by other competitors. While increasingly feasible due to developments in global information technology, simultaneous entry into multiple markets typically requires substantial financial and management resources and entails higher operating risk.

Figure 7.10 Appropriate global marketing strategies for SMEs



Source: Bradley, 1995. *International Marketing Strategy*, 2nd Edition. Reproduced by permission of Pearson Education Ltd.

The appropriate expansion strategy for the SME

The SME often exploits domestic market opportunities to build up company resources, which later may be used in international markets (Figure 7.10).

The company strategy for market expansion should be concentrated on the product-market segment where the core competences of the company give it a competitive advantage (here product A, B, C and market 1, 2).

The process might evolve step by step, taking one market at a time, market 1, niche 1, learning from it, and then using it as a bridgehead to transfer that competence to the same niche in the next market (market 2, niche 1). The company may develop its international operations by continuing to develop new markets in a step-by-step process, ensuring consolidation and profitability before moving on.

Concentration versus diversification

The firm must also decide whether to concentrate resources on a limited number of similar markets, or alternatively to diversify across a number of different markets. A company may concentrate its efforts by entering countries that are highly similar in terms of market characteristics and infrastructure to the domestic market. Management could also focus on a group of proximate countries. Alternatively, a company may prefer to diversify risk by entering countries that differ in terms of environmental or market characteristics. An economic recession in one country could be counterbalanced by growth in another market. The strength of competition also often varies from one market to another, and profits in a relatively protected or less competitive market may be funnelled into more fiercely competitive markets. Spreading out operations over a broader geographic base, and investing in different regions throughout the world, may also diversify risk, since in some industries markets in different regions are not interdependent (i.e. trends in one region will not spill over into another).

The question of concentrating or diversifying on the country level can be combined with concentration or diversification on the customer (segment) level. The resulting matrix (Figure 7.11) illustrates the four possible strategies.

Figure 7.11 The market expansion matrix

		Market/customer target group	
		Concentration	*Diversification*
Country	*Concentration*	1	2
	Diversification	3	4

Source: Ayal and Zif, 1979, p. 84.

From Figure 7.11 four expansion alternatives can be identified:

1 few customer groups/segments in few countries;
2 many customer groups/segments in few countries;
3 few customer groups/segments in many countries;
4 many customer groups/segments in many countries.

A company can calculate its degree of export concentration and compare it over time or with other firms, using the Herfindahl index. This index is defined as the sum of the squares of the percentage of sales in each foreign country.

$$C = \sum S_i^2 \quad i = 1, 2, 3, 4 \ldots n \text{ countries}$$

where C = the export concentration index of the firm
S_i = exports to country i as a percentage (measured in decimal numbers from 0 to 1) of the firm's total exports

$$\sum S_i = 1$$

Maximum concentration ($C = 1$) occurs when all the export is made to one country only, and minimum concentration ($C = 1/n$) exists when exports are equally distributed over a large number of countries.

The factors favouring country diversification versus concentration are shown in Table 7.3.

7.5 The global product/market portfolio

The corporate portfolio analysis provides an important tool to assess how to allocate resources, not only across geographic areas but also across the different product business (Douglas and Craig, 1995). The global corporate portfolio represents the most

Table 7.3 International market diversification versus market concentration

Factors favouring country diversification	Factors favouring country concentration
Company factors	
High management risk consciousness (accept risk)	Low management risk consciousness (risk averse)
Objective of growth through market development	Objective of growth through market penetration
Little market knowledge	Ability to pick 'best' markets
Product factors	
Limited specialist uses	General uses
Low volume	High volume
Non-repeat	Repeat-purchase product
Early or late in product life cycle	Middle of product life cycle
Standard product saleable in many markets	Product requires adaptation to different markets
Radical innovation can trigger new global customer solutions	Incremental innovation – narrow market scope
Market factors	
Small markets – specialized segments	Large markets – high-volume segments
Unstable markets	Stable markets
Many similar markets	Limited number of markets
New or declining markets	Mature markets
Low growth rate in each market	High growth rate in each market
Large markets are very competitive	Large markets are not excessively competitive
Established competitors have large share of key markets	Key markets are divided among many competitors
Low customer loyalty	High customer loyalty
High synergy effects between countries	Low synergy effect between countries
Learning can be transferred across markets	Lack of awareness of global opportunities and threats
Short competitive lead time	Long competitive lead time
Marketing factors	
Low communication costs for additional markets	High communication costs for additional markets
Low order-handling costs for additional markets	High order-handling costs for additional markets
Low physical distribution costs for additional markets	High physical distribution costs for additional markets
Standardized communication in many markets	Communication requires adaptation to different markets

Source: Adapted from Ayal and Zif, 1979; Piercy, 1981; Katsikea *et al.* (2005).

aggregate level of analysis and it might consist of operations by product businesses or by geographic areas.

As illustrated in Figure 7.12 (based on the market attractiveness/competitive strength matrix of Figure 7.4), Unilever's most aggregate level of analysis is its different product businesses. With this global corporate portfolio as a starting point, the further analysis of single corporate product business can go in a product dimension, a geographic dimension or a combination of the two.

It appears from the global corporate portfolio in Figure 7.12 that Unilever's 'foods' business is characterized by high market attractiveness and high competitive strengths.

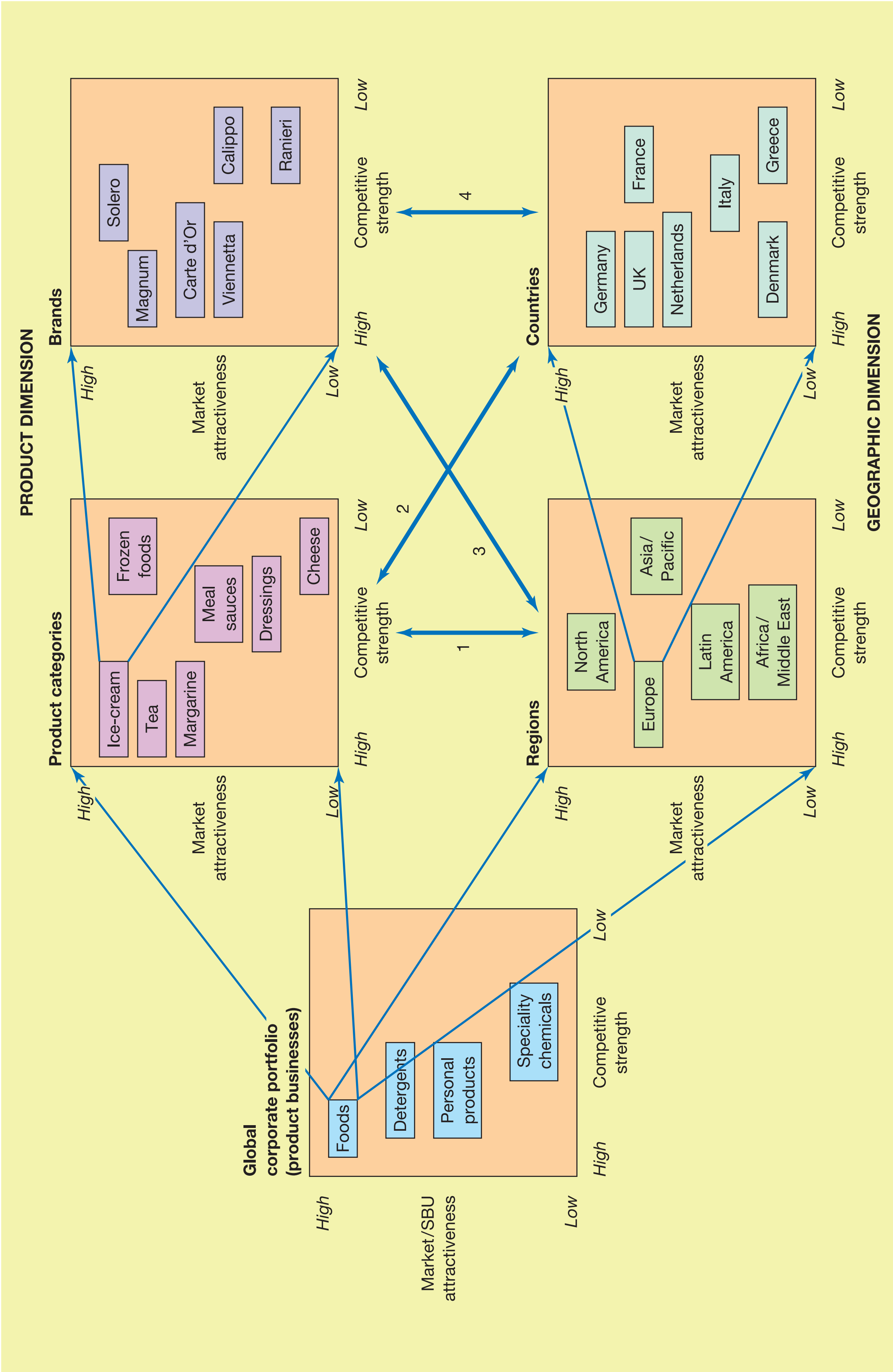


Figure 7.12 Unilever's global portfolio

However, a more distinct picture of the situation is obtained by analysing underlying levels. This more detailed analysis is often required to give an operational input to specific market-planning decisions.

By combining the product and geographic dimensions it is possible to analyse the global corporate portfolio at the following levels (indicated by the arrows in the example of Figure 7.12):

1 product categories by regions (or vice versa);
2 product categories by countries (or vice versa);
3 regions by brands (or vice versa);
4 countries by brands (or vice versa).

Of course, it is possible to make further detailed analysis of, for example, the country level by analysing different customer groups (e.g. food retailers) in certain countries.

Thus it may be important to assess the interconnectedness of various portfolio units across countries or regions. A customer (e.g. a large food retail chain) may have outlets in other countries, or the large retailers may have formed cross-border alliances in retailing with central purchasing from suppliers (e.g. Unilever).

7.6 Summary

Particularly in SMEs international market selection is simply a reaction to a stimulus provided by a change agent, in the form of an unsolicited order.

A more proactive and systematic approach to IMS entails the following steps:

1 selection of relevant segmentation criteria;
2 development of appropriate segments;
3 screening of segments to narrow down the list of appropriate countries (choice of target);
4 micro segmentation: development of subsegments in each qualified country or across countries.

However, the *pragmatic approach* to IMS is often used successfully by firms. Often coincidences and the personal network of top managers play an important role in the 'selection' of the firm's first export market. In making the IMS, the firm must seek the synergy between the possible new target market and its own strengths, objectives, and strategy. The firm's choice of new international markets is very much influenced by the existence of complementary markets and marketing skills gained in these markets.

After the four steps described above the market expansion strategy of the chosen market is a key decision. In designing this strategy the firm has to answer two underlying questions:

1 Will it enter markets incrementally (the waterfall approach) or simultaneously (the shower approach)?
2 Will entry be concentrated or diversified across international markets?

Corporate portfolio analysis represents an excellent way of combining the international market selection (the geographic dimension) with the product dimension. It is important to assess how to allocate resources across geographic areas/product businesses. However, it is also important to evaluate the interconnectedness of various portfolio units across geographic borders. For example, a particular customer (located in a certain country) may have businesses in several countries.

CASE STUDY 7.1

Philips Lighting: Screening markets in the Middle East

Royal Philips Electronics of the Netherlands is one of the world's biggest electronics companies, as well as the largest in Europe, with 161,500 employees in over 60 countries and sales in 2005 of €30.395 billion.

In 1891 the Dutch mechanical engineer Gerard Philips starts the production of carbon-filament lamps in a former buckskin factory in Eindhoven. Among his first major clients are early electricity companies who are including the provision of lamps in their power supply contracts.

Today Philips is number 1 in the world market for lighting. Philips lighting products (light bulbs and lamps) are found all around the world: not only everywhere in the home, but also in a multitude of professional applications, for example, in 30 per cent of offices, 65 per cent of the world's top airports, 30 per cent of hospitals, 35 per cent of cars and 55 per cent of major football stadiums.

Outdoor advertising for Philips Lighting in Iraq (Bagdad)

Source: Photo taken by one of the Philips distributors, Leadstay.

Competition

Philips Lighting is world leader in lighting products manufacturing. Its market shares are 50 per cent in Europe, 36 per cent in North America and 14 per cent in the rest of the world. Since the 80s, Philips has participated intensively to the concentration of this industrial sector by purchasing smaller national companies such as Companie des Lampes (FR), AEG (GE) or Polam Pila (Poland). It has also developed joint ventures with Westinghouse Lamps, Kono Sylvania and EBT China.

GE

General Electric Lighting (GEL) holds a 50 per cent share of the US market but had only a 2 per cent market share in Europe in 1988. In order to reach a 30 per cent market share in 2010, GEL has acquired several European national companies as Tungsram (Czechoslovakia), Thorn Emi (UK), Sivi (IT) and Linder Licht (GE). In 1994 GEL built a logistic unit in France to supply France, Germany, Benelux, Switzerland, Italy and Austria. It now intends to reduce prices in connection with supermarket chains.

OSRAM

A 100 per cent subsidiary of the giant German holding SIEMENS, OSRAM achieves a 86 per cent share of its turnover by exporting (46 per cent in North America, 41 per cent in EU, 6 per cent in South America and 6 per cent in Asia). Strategy for the next coming years is to increase Asian market shares by doubling its turnover in Asia.

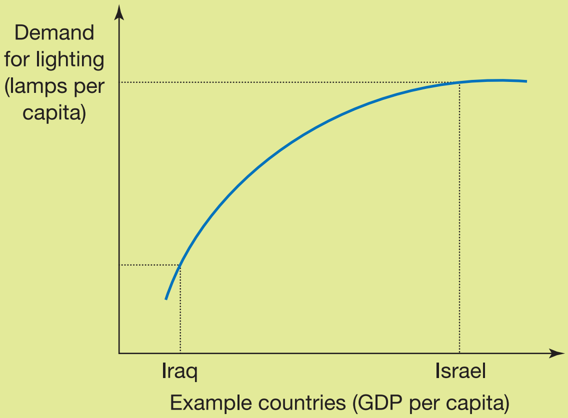
Other significant manufacturers are Sylvania Lighting International and Panasonic.

Philips Lighting market screening in Middle East

At the beginning of the twenty-first century Philips needed a coherent marketing strategy for the whole Middle East region. The first task was to select the most attractive markets in the region. Over the years Philips has developed a model which shows a correlation between a country's demand for lighting and its GDP per capita. During discussions with agents/distributors in many countries, Philips was completely dependent on its information about market size. If Philips underestimated market size, it missed market opportunities. That was the main reason why this model was developed, so that Philips could cross-check market estimations of its agents/distributors.

Figure 7.13 shows that lighting (demand for lamps and bulbs) is a basic need for a country and as soon as a country starts developing this basic need increases. But as the country's wealth increases the growth in the demand slows down, because at later stages of economic development basic lighting needs are covered, as we can observe in the case of Israel.

Figure 7.13 The relationship between the wealth of a country and the demand for lighting



Basically, in order to find the most attractive markets Philips Lighting used the model (shown in Figure 7.13 and Table 1) in combination. The demand for lighting per capita has to be multiplied by the number of inhabitants in a country. Israel and Kuwait have the highest GDP/capita but their population size is small. On the other hand Iraq and Iran were (and still are) large markets for lighting, but they are very tough to enter because of their politically chaotic situations.

However, the Philips Lighting Middle East managers did not use market size as the only market selection criterion for priority, but the models were used as a starting point for discussions with agents and distributors in the countries. If the Philips sales in large lighting markets were very low, this would indicate a low Philips market share (unless the market size was also low). This would lead to a discussion with the local agents and distributors about how to increase the local Philips market shares in cooperation with the local distributor.

Table 1 Basic demographic data in the Middle East (2003)

Markets	Population (million)	GNP 2003 (% growth)	GNP per cap (US$)
Bahrain	0.6	3.0	8,420
Egypt	61.9	5.0	1,032
Iran	66.0	3.0	1,470
Iraq	19.7	–5.0	558
Israel	5.5	7.1	15,500
Jordan	4.6	5.0	2,159
Kuwait	2.2	3.5	15,670
Lebanon	3.2	4.0	3,845
Libya	5.5	3.5	4,882
Oman	2.4	4.3	6,268
Palestine	2.1	–5.0	430
Qatar	0.6	2.0	13,120
Saudi Arabia	20.6	3.5	5,643
Syria	17.0	6.0	882
UAE	2.5	0.5	17,440
Yemen	15.0	3.0	693
Middle East	229.4	–	–

Source: Wim Wilms, Eindhoven, Fontys Export Day, 13 October 2004.

Sources: PowerPoint presentation from Wim Wilms, Eindhoven, Fontys Export Day, 13 October 2004; www.philips.com.

Questions

1 Discuss the appropriateness of the screening model used in this case.

2 Suggest another screening model that could be relevant for Philips Lighting to use in the Middle East.

For further exercises and cases, see this book's website at www.pearsoned.co.uk/hollensen

? Questions for discussion

1 Why is screening of foreign markets important? Outline the reasons why many firms do not systematically screen countries/markets.

2 Explore the factors which influence the international market selection process.

3 Discuss the advantages and disadvantages of using only secondary data as screening criteria in the IMS process.

4 What are the advantages and disadvantages of an opportunistic selection of international markets?

5 What are the differences between a global market segment and a national market segment? What are the marketing implications of these differences for a firm serving segments on a worldwide basis?

6 Discuss the possible implications that the firm's choice of geographic expansion strategy may have on the ability of a local marketing manager of a foreign subsidiary to develop and implement marketing programmes.

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CASE STUDY II.1

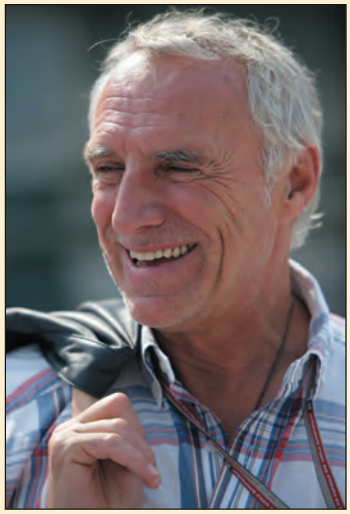
Red Bull: The global market leader in energy drinks is considering further market expansion

The beginning

Energy drinks may well have come from Scotland in the form of Irn-Bru, first produced in the form of 'Iron Brew' in 1901. In Japan, the energy drink phenomenon dates at least as far back as the early 1960s, with the release of the Lipovitan. Most such products in Japan bear little resemblance to soft drinks, and are sold instead in small brown glass medicine bottles or cans styled to resemble such containers. These so-called 'genki drinks', which are also produced in South Korea, helped employees to work long hours or to stay awake on the late commute home.

In UK, Lucozade Energy was originally introduced in 1929 as a hospital drink for 'aiding the recovery' in the early 1980s, it was promoted as an energy drink for 'replenishing lost energy'.

The origin of Red Bull dates back to 1962 where the original formula was developed by Chaleo Yoovidhya, a Thai businessman, and sold under the name Krating Daeng by a local pharmaceutical company to treat jetlag and boost energy for truck drivers.



Dietrich Mateschiz

Source: Michael Kunkel/Hochzwei/PA Photos.

Serkan Senturk/AP/PA Photos.

The marketing man

Mateschitz grew up in a small village in Styria, Austria. When he turned 18, he went to the University of Vienna. It took Mateschitz ten years to finally graduate with a degree in World Trade. His friends said that Mateschitz liked to play, party and pursue pretty women. After graduation he decided to get serious and become a 'really good marketing man'. His natural charm helped him land a training position at Unilever, and soon he was promoting dishwashing detergents and soap all over Europe. Colleagues described him as 'funny, full of ambition and always filled with crazy ideas'.

Mateschitz had a natural talent for selling. He was creative and had a knack for getting things done. He soon got promoted to the position of marketing director for a leading, international toothpaste brand called Blendax.

After years of travelling and selling toothpaste around the globe, Mateschitz became obsessed with the idea of creating his own business. In the summer of 1982 he read a story about the top ten taxpayers in Japan. He was surprised that a certain Mr Taisho, who had introduced a high-energy drink to Japan, made the top of the list. On the next stop of his sales trip – in Thailand – he learned from a local toothpaste distributor that energy drinks were a hot item among tired drivers stopping at gas stations. The top brand was Kratindaeng, meaning *water buffalo*. The ingredients were clearly written on the can. Like the original *Yellow Pages*, there was no trademark or patent to protect the formula.

Dietrich Mateschitz met up with Chaleo Yoovidhya at the beginning of 1980s and they decided to start an energy drink company together. Each partner would contribute about a half a million dollars in start-up capital. Chaleo Yoovidhya provided the beverage formula and his partner contributed the marketing flair. Red Bull was thus founded in 1984 by Dietrich Mateschitz and Chaleo Yoovidhya, and was headquartered in Austria. Today, Dietrich Mateschitz and Chaleo Yovidhya each own 49 per cent of the company. The remaining 2 per cent belongs to Yovidhya's son, Chalerm.

The start-up in Austria and the further international expansion

The optimistic 40-year-old Mateschitz quit his job and applied for a licence to sell the high-energy drink in Austria. However, the Austrian bureaucracy would not allow the drink to be sold without scientific tests. It took three years and many sales calls to get a licence to sell. While waiting for the official licence, Mateschitz asked his old school friend Johannes Kastner, who ran an advertising agency in Frankfurt, Germany, to design the can and logo. Mateschitz rejected dozens of samples before settling on a macho logo with two red bulls charging each other. Kastner worked diligently on a snappy slogan, but Mateschitz rejected one after the other, each time saying, 'Not good enough.'

Kastner told Mateschitz to find someone else to come up with a better slogan, but Mateschitz pleaded, 'Sleep on it, and give me one more tag line.' The next morning Kastner called and said, 'Red Bull – gives you wings.' The slogan turned into a prophecy for the Red Bull brand, which continues to soar around the globe.

Mateschitz still had to find a bottler to produce his drink. Every bottler he called told him that Red Bull had no chance of success. Finally, Mateschitz found a sympathetic ear in Roman Rauch, the leading soft-drink bottler in Austria, and soon the shiny silver cans rolled off the production line. Within two years, and after many creative promotions, sales began to grow, but so did his losses. While a million-dollar loss in two years may scare an entrepreneur into closing the business, Mateschitz was undaunted. He financed everything without outside capital, and by 1990 Red Bull was in the black again. He soon realized that Austria was not a big enough market, and in 1993 he expanded to neighbouring Hungary and then focused his energies on conquering the German market.

Once the news of Red Bull's advancing sales spread in Europe, dozens of copycat competitors came on the market. Red Bull's initial move into the German market was highly successful. However, after three months of increasing demand, Mateschitz could not get enough aluminum to produce the cans anywhere in Europe, and sales of Red Bull dropped fast. A competitor named Flying Horse became the market leader. It took Red Bull four years to reclaim the top spot in the German market.

In 1995, Red Bull hit Britain; in 1997, the United States, starting in California. There, in a marketing trick typical of his unusual style, he hired students to drive around in liveried Minis with a Red Bull can on the roof to promote the drink.

The rest is history. Red Bull has become extremely popular over recent years increasing from almost a billion 250 ml cans sold in 2000 to more than 3 billion cans sold in 2006, in over 130 countries. In 2006, Red Bull generated over €2.6 billion in turnover throughout the world with the help of its 3,900 employees.

Marketing orientation and consumers

Red Bull devised an innovative marketing approach to target mainly the young adult and consumers seeking an energy boost. It targets young adult consumers aged 16 to 29, young urban professionals, and post secondary school students. Red Bull created strategic programmes to attract post-secondary students by providing them free cases of drink and convincing them to give parties and targeting club goers by stocking Red Bull at nightclubs. This viral campaign created a noticeable effect by boosting sales. Supported by sleek advertising, it came out with a small silver blue can to attract young urban professionals who prefer a stylish life. The company also set about promoting the Red Bull brand directly to Generation Y, the so-called *millennials*, people born after 1981 who were believed to be cynical of traditional marketing strategies. Part of this idea involved recruiting 'student brand managers' who would be used to promote Red Bull on university campuses. The students would be encouraged to give parties at which cases of Red Bull would be distributed. The brand managers would then report back to the company, giving the firm a low cost form of market research data.

Red Bull tries to portray its products as drinks for energetic, physically active and health-conscious consumers, characterized by the sugar-free version. People in need of energy boosts include, but are not limited to, club-hoppers, truck drivers and students.

The 'Red Bull' marketing strategy

Red Bull essentially threw the traditional marketing book out of the window. Its highly acclaimed strategy has been described as: grassroots, guerilla, word-of-mouth, viral marketing, underground, buzz-marketing and without a doubt, successful.

The first marketing trials of Red Bull failed miserably. The respondents didn't like the taste, colour or the 'stimulates mind and body' concept. At this point, many companies would have abandoned their plan or reformulated to make it more appealing to the consumer. However, Mateschitz rejected that these trials should be the basis for their marketing strategy. In this he meant that Red Bull was not selling a beverage but selling a 'way of life'. *Red Bull will give you wiiings . . .* Red Bull is an enabler for what you desire. Red Bull needed to be enjoyed in the right context, where an energy boost was needed.

One effective brand builder was not initiated by the company but by Urban myth. Red Bull faced many obstacles in gaining regulatory approval in several countries because of its unique ingredients. During this time a rumour circulated that the taurine used came from bull's testicles and Red Bull was 'liquid Viagra', which made the drink even more mystic. Adding to the allure was the fact that the beverage has actually been banned in several countries such as France and Denmark.

Source: Evan Kafka/Getty Images Entertainment/Getty Images.

The product

Red Bull is sold as an energy drink to combat mental and physical fatigue. Active ingredients include 27g of sugar, B-complex vitamins, and 80mg of caffeine, which is a little less than the amount of caffeine found in an average cup of coffee and about two times as much caffeine as many leading cola drinks. Besides water, sugar and caffeine the drink contains an ingredient named taurine, an amino acid that, according to Japanese studies, benefits the cardiovascular system.

A sugar-free version has been available since the beginning of 2003. The drink tastes of citrus and herbs, and is commonly used as a mixer in alcoholic drinks such as Red Bull Wings (Red Bull and vodka) or as a base ingredient in the famous Jägerbomb (a cocktail combining one shot of Jägermeister dropped into a glass of Red Bull).

The company specializes in energy drinks and because Red Bull is the company's main brand (with only two flavour varieties and one packaging size), this allows it to focus its efforts and expand its footprint quickly while leveraging marketing and promotions used in other regions. In most countries and regions, Red Bull was the first energy drinks brand and as a result is the leading brand in almost all regions where it is sold.

Red Bull distinguishes itself from a lot of the beverage market by only offering its product in one size, 8.3 ounce (250 ml) cans, which is smaller than a typical soft drink. The cans are small, sleek vessels with distinctive printing, which have been described as more 'European' styling. With the exception of mandated warning labels the can design does not vary by country. Furthermore, unlike soft drinks or vodka, Red Bull is only offered in two varieties: original and sugar-free. This recognizable packaging provides Red Bull with an advantage, and the one size that is used worldwide creates production efficiencies.

Price

This clear positioning has created a foothold in key markets such as the United Kingdom, Germany and the United States. Sales in key markets help drive the global positioning of the company, as well as providing the opportunity to sell Red Bull at a premium price over other brands. A single can generally retails for about €2 which is up to five times the cost of name-branded soft drinks.

Premium pricing is a feature of the energy drinks category. Since its inception the category has been positioned as providing products that not only refresh you, but give you the energy and related brain power to make the most of your time. While it could never be said that energy drinks position themselves as healthy, there is little doubt that they claim to provide a functional benefit to the consumer, which is the main reason why they can command a premium price. In 2006, the average price per litre for an energy drink across the world was US$5.78, almost four times the average price of a litre of carbonates (US$1.54), and similarly ahead of the average price per litre in the soft drinks category as a whole (US$1.50).

Distribution

A key growth strategy at Red Bull has been increased international distribution. It has consistently worked on growing international sales, first making moves outside its domestic market in 1992, only five years after the first cans of Red Bull appeared in Austria. Now available in over 100 countries worldwide, Red Bull has a well-developed network of local subsidiaries set up in key markets to oversee distribution in any given region. These subsidiaries are responsible for importing Red Bull from Red Bull GmbH in Austria and either setting up an independent distribution network or working with a partner, such as in Australia where Red Bull Australia uses the Cadbury Schweppes's distribution network. In this case, Red Bull Australia imports and sells on to Cadbury Schweppes, which then sells to vendors in its network.

The typical Red Bull national distribution strategy for new markets is, like all else, atypical. Instead of targeting the largest distributors with the greatest reach Red Bull targets small distributors who often became exclusively Red Bull distributors. They even went to the extreme of hiring teenagers and college students and giving them vans to distribute the product.

Small independent venues are also the first targets. Red Bull would find the small bars, restaurants and stores and give them a small cooler to sell the beverage from. This is preferred rather than dealing with the demands of the larger stores, who eventually were begging to sell the product.

Promotion/advertising

Many product launches are coupled with large advertising campaigns both in print and TV, taste test, give-aways and celebrity endorsements to get the brand and product out into the public. This is not a technique that is used by Red Bull.

Red Bull does not use traditional advertising to enter a market. Only after the product is in the market does advertising serve as a reminder. Furthermore, they never use print media since it is too dull and flat to express the product. Television ads often are cartoon drawings using the 'Red Bull gives you wiiings' slogan and are very carefully placed. Stations and programming are carefully selected to maximize exposure to the target audience such as late-night TV shows.

Red Bull does not hire celebrity endorsers, but they do enable celebrity endorsers. Some of the earliest deliveries of Red Bull in the United States were to Hollywood movie sets for consumption during long days of filming, even before the beverage was readily available. This created a scheme where the celebrities were doing what they could to get Red Bull and instantly became endorsers for the brand to the masses. Celebrities are not the only ones who were enabled for endorsements. Again, before the product was widely available, the company made it available to bar tenders in New York's trendiest spots for their own consumption. This led to an unpaid endorsement to the club patrons by the bar tenders.

Every year the company sponsors dozens of extreme sporting events, like the climbing of iced-down silos in Iowa or kite sailing in Hawaii, as well as cultural events like break-dancing contests and rock music jam sessions. Red Bull sponsors a DJ camp where some of the up and coming DJs get a chance to learn from some of the masters courtesy of Red Bull. Red Bull also sponsors some 500 athletes around the world, the type who would surf in Nova Scotia in January or jump out of a plane to 'fly' across the English Channel.

The local subsidiaries are also responsible for local marketing content such as buzz marketing, local sponsorships and arranging media including TV, billboards and radio. In addition to local marketing and advertising, local subsidiaries also acquire marketing material from Red Bull GmbH and its exclusive advertiser Kastner & Partner

All in all, Red Bull spends relatively little on traditional print and TV advertising, instead relying on sponsorships of extreme sports or giving away samples at local events. Since its introduction Red Bull has invested heavily in building the brand. It spends about 30 per cent of revenue on marketing: as a comparison, Coca-Cola spends 9 per cent.

Competition

Red Bull operates within the **functional drinks market**, which is mostly made up of sales from **energy drinks** and **sports drinks** – Red Bull is only active in the energy drinks market. Sports drinks are not to be confused with energy drinks. Sports drinks are intended to replenish electrolytes, sugar, water and other nutrients, and are usually isotonic (containing the same proportions as found in the human body) after strenuous training or competition. Energy drinks, on the other hand, mainly provide sugar and caffeine, in order to increase concentration or mental and physical strain. The most well-known sports drink is Gatorade (Quaker Oats Co.), which was introduced in 1966.

Red Bull, despite being widely known as an energy drink, has other uses such as a coffee, tea and soda substitute: vitamin/energy supplement and mixer for alcohol. The majority of consumers are using Red Bull as a vitamin supplement or energy stimulant in place of preferred stimulants such as ginseng. Red Bull, with its liquid B-vitamin supplement, competes in the niche market for vitamins and is competing with the larger pharmaceutical companies. It is also competing indirectly with various drink mixers such as juice, sour mix and tonic. Red Bull initially marketed its energy drink mixed with alcohol to the average club-goers. However, due to various health concerns and fatal incidents associated with Red Bull when mixed with alcohol, explicit warnings have been placed on product labels discouraging improper use.

The market for energy drinks is characterized by the presence of specialized manufacturers as well as food and beverage powerhouses. Key players in the marketplace include Pepsi, Coca-Cola, Danone, Hansen Beverage Co., Monarch Beverage Co., Red Bull, Dark Dog, GlaxoSmithkline, Extreme Beverages, Taisho Pharmaceuticals and Otsuka Pharmaceuticals. In terms of market share, Gatorade and Red Bull lead the sports and energy drinks segments, respectively. Most of the soft drink multinationals (like Pepsi, Coca-Cola, Danone, GlaxoSmithKline) also cover the functional drinks market.

The total market for functional drinks (including energy drinks)

Today's 24/7 lifestyle is driving the sales of functional drinks (including sports and energy drinks – see definition above), with volume having increased by impressive figures. Functional drinks have now clearly moved from niche to mass-market, having seen significant growth every year since their introduction. In order to get the most out of every day, consumers are increasingly looking at products with an extra kick, which is one reason why so many people are reaching for these kinds of drinks.

In the overall functional drinks market, Red Bull is increasingly being challenged by new innovative brands. With the global sales of 3 billion cans in 2006 Red Bull reached a 45 per cent market share of the world market in energy drinks. This has made it a clear world market leader in this segment. Higher per litre revenue in 'energy drinks' has attracted brands from all the major players into the market, such as Coca-Cola's Burn, and Pepsi's Adrenaline, but so far they have not come close to dislodging Red Bull from its position as global market leader.

In the overall global soft drink market the Red Bull market share is small. According to Euromonitor (2007) it is only 0.8 per cent. The overall Red Bull market shares in the 'functional drinks market' are shown in Table 1.

The market development in the 'global energy drinks' market

Asia dominates the consumption volume of energy drinks, accounting for about 40 per cent of all energy drinks volumes. However, at a per capita level it is North America and Australia/New Zealand that lead the way. In almost all regions, the concept of energy drinks has been established and accepted by the consumer. The only two regions that remain exceptions in part are eastern Europe and Central and South America, where lower levels of disposable income remain a barrier.

Table 1 Red Bull market shares (value) in the functional drinks market (2006)

Region	Red Bull Market share in the functional drinks market (%)
Western Europe	26.8
Eastern Europe	31.4
North America	10.0
Latin America	11.7
Asia (excluding Aus/NZ)	2.8
Aus / NZ	13.6
Africa / Middle East	22.7
Total World	10.9
Total world market (functional drinks market)	US$24,250m

Source: Euromonitor (2007). © Euromonitor International 2007.

Not surprisingly, the United States is the largest country market, ahead of Japan, Indonesia and China. Three other Asian countries also appear in the top ten markets for energy drinks, namely Thailand, South Korea and Vietnam. While still accounting for nearly half of all energy drinks consumed worldwide, Asian dominance is starting to slowly slip as other regions begin to catch up. In fact, worldwide growth in consumption is beginning to slow. Following year-on-year growth of 31 per cent in 2004 and 24 per cent in 2005, growth slowed to 17 per cent in 2006.

In western Europe, the United Kingdom leads the way in volume terms, accounting for nearly half of the energy drinks consumed in the region. However, the Republic of Ireland and Austria have a far higher per capita consumption figure, with Irish consumers drinking an average of just under 8 litres of energy drinks per year, hugely more than the regional average of 1.6 litres per capita. Higher per capita figures in Austria can perhaps be explained by the fact that Red Bull and other energy drinks companies originated there.

In western Europe, many energy drinks are banned from sale due to certain ingredients, including Red Bull which is banned in France and Denmark. This obviously has a marked effect on the market when comparing it to other geographic regions.

Although Red Bull was originally targeted at the on-trade market (bars, disco, etc.), off-trade (retail) has now become the principal channel for energy drinks, with approximately two thirds of worldwide volume being sold through these channels. This picture is pretty consistent worldwide, other than in Central and South America where the split is far more even, and North America where the emphasis is far heavier on the retail channels (85 per cent). In many markets, the United Kingdom being a good example, the volume sold through on-premise channels is heavily impacted by energy drinks being sold as mixers with spirits, primarily vodka.

Sources: Hosea, M. (2007), 'Running with bulls', *Brand Strategy*, September, pp. 20–23; Datamonitor (2007), Red Bull GmbH, *Datamonitor Company Profile*, 25 April 2007; Gschwandtner, G. (2004), The Powerful Sales Strategy behind Red Bull, *Selling Power Magazine*, September 2004; Euromonitor (2007), Red Bull GmbH – Softdrink – World, Global Company Profile, *Euromonitor International*, March, pp. 1–15; Euromonitor (2006), Functional Drinks – Japan, *Euromonitor International*, October, pp. 1–11; Lerner, M. (2007), 'Running with "Red Bull" and an arena of speciality drinks', *American Metal Market*, August, pp. 20–22; *Marketing Week* (2006), 'Red Bull spreads its wings', 1 June 2006, p. 33.

Questions

The top management team of Red Bull is considering placing the focus of its further expansion on new markets like Turkey, Russia, Mexico, Japan, China or the Middle East. In order to get an external evaluation of the market opportunities they have contacted you, and during the next week you are supposed to deliver a small report with the answers to the following questions.

1. How will you characterize the overall Red Bull's global marketing strategy (global, glocal or local)?
2. Argue for the most relevant segmentation (screening) criteria to be used in the international market selection (IMS) process.
3. What changes would you suggest for Red Bull's future global marketing mix, in order to meet its future challenges?

CASE STUDY II.2

Skagen Designs: Becoming an international player in designed watches

Towards the end of 2006 Charlotte and Henrik Jorst can look back at 15 hectic, but successful years. Their company was founded in an apartment in New York, from where its first marketing efforts took place. The two entrepreneurs started selling relatively expensive watches bearing a logo that American companies might use as company presents. During the Gulf Crisis it was, however, very difficult to sell watches in that price range. Therefore, in 1990 Charlotte and Henrik visited a watch fair in Basel in order to find a manufacturer who was able to produce the watches at a lower cost price. They found a Danish owned company, Comtech Watches, with headquarters in Aarhus and clock-and-watch factory in Hong Kong.

In 1992 Charlotte and Henrik had an annual turnover of US$800,000, primarily through an advertisement on the back page of a big mail-order catalogue for Father's Day. Since then events followed each other in quick succession. In 1995 the chain, Bloomingdale's, included the Skagen Design watches in its assortment and other retail chains like Macy's, Nordstrom and Watch World have followed. In addition, the watches are sold in big gift and design shops.

In 1998 Skagen Designs had an annual turnover of almost US$30 million; in 2005 turnover had increased to approximately US$70 million.

Charlotte and Henrik Jorst considering different watch designs

Skagen designs – the story in brief

1986: Party at Carlsberg. Even though Henrik Jorst has brought his girlfriend, he manages to make Charlotte Kjølbye his neighbour at dinner, and they fall head over heels in love. Shortly after the party Carlsberg sends Henrik to New York. From New York Henrik manages Carlsberg's USA sales. Charlotte stays on for a year and a half in Denmark keeping in close contact with Henrik on the phone.

1988: Charlotte joins Henrik in the United States and reigns as Miss Carlsberg for the summer and fall months. After a Danish colleague sends them a few of his sample corporate watches to sell in the United States, Charlotte and Henrik embark on their dream of starting their own business and begin working in the world of watches. Charlotte and Henrik are married in May.

1990: Henrik quits his job at Carlsberg. Charlotte walks about the streets of New York trying to sell the Danish Jacob Jensen watches to watchmakers. They have hardly any money. Charlotte gives birth to their daughter Christine.

1991: The Jorsts design a few sample corporate watches and exhibit them at the New York Premium and Incentive Show in the Spring. At this fair, several retailers notice the watches and wonder why the two Danes present them as corporate watches and not branded goods. The retailers state that if the watches were available without the corporate logos they would purchase them for their stores. During the summer they produce 800 copies of four different watches with the name *Skagen Denmark*. Few months later all watches are sold out and an additional amount was produced.

1992: Sitting at the dinner table Henrik and Charlotte design 30 different models, all labelled 'Skagen Denmark'. In a New York street Charlotte meets one of the managers from the mail order giant 'The Sharper Image'. She takes a chance, and yes, he features the Skagen watches on the back page of the Father's Day catalogue. Everything is sold out. From the apartment in New York Henrik and Charlotte have a turnover of US$800,000.

1993: There are not many states in the United States where business taxes are almost equal to zero. In Florida and Nevada this is, however, the case. One day they fly to Incline Village at Lake Tahoe – one of the world's best ski resorts. They lose their hearts and buy a house that is much too expensive, but big. The company moves into every room from kitchen cupboards to garage. They still do it all by themselves. Charlotte gives birth to their daughter Camilla.

1995: Five years after starting the company. Now, it becomes *really* big. Bloomingdale's takes the watches on trial. Sold out – on one single day. They engage employees in a small, rented office not far from their home at the lake. After a year the office is too small, and after another year the same happens again.

1998: The Magazine, Inc. puts Skagen Designs on the list of the 250 fastest growing, privately-owned companies. During five years the turnover has increased by almost 1,200 per cent. Finally, the rest of the company moves out of the villa at Lake Tahoe. New headquarters are opened in Reno, Nevada. An office is opened in Denmark to handle European distribution and an additional 80 stores throughout Denmark begin selling the Skagen Denmark line.

1999: The number of employees is approaching 100. Inc. Magazine's 'Inc. 500' lists the company as one of the fastest-growing companies in the United States. Henrik gives Charlotte a horse as present for their ten year wedding anniversary. The family moves from Lake Tahoe to a large house of 650 square metres on the outskirts of Reno. It is situated on the top of a hill with a beautiful view of the Sierra Nevada Mountains. Skagen begins its ongoing presence in major magazines such as *InStyle* and *GQ*. Distribution begins in the United Kingdom.

2000: Distribution begins in Germany and the Netherlands.

2001: Skagen Designs exhibits for the first time at BaselWorld – The Watch and Jewellery Show in Basel, Switzerland.

2002: Distribution begins in additional countries including Finland, Iceland, Ukraine and Kuwait.

2003: More countries join the Skagen Designs team and distribution begins in Belgium, Serbia, Montenegro, United Arab Emirates, Norway, France and Italy.

2004: To handle increasing growth, the European HQ office in Copenhagen moves to a larger facility. The European HQ targets large department stores in Germany and France.

2005: The former Director of Sales & Product Development, Scott Szybala is appointed as President. Scott's responsibilities are to oversee the daily oper-ations as well as the strategic direction for Skagen Designs, reporting directly to Charlotte and Henrik, who continue to be closely involved in the company's product development and sales.

2006: Skagen Designs becomes an official sponsor of Team CSC, one of the best teams in professional cycling, with a record-breaking number of victories. Today, Henrik and Charlotte still approve all products that Skagen designs.

Internal policies

Skagen Designs has its name from the Danish fishing village of Skagen; a popular retreat for artists from around the world. Many say this place has the perfect source of natural light and those who visit find its unique charm to be a mix between nature-given and man-made romanticism. This region has inspired, not only the brand-name, but also the Jorst design philosophy as well. The colours, shapes and simplicity inspire the design team. The design team is on the pulse of current fashions, with regular visits to design centres around the world including

Collection of Skagen watches for men (left) and women (right)

Switzerland, Italy, France, New York and Hong Kong. Skagen Design tries to stay true to its classic design philosophy and is never content to follow established trends.

The Skagen Designs' logo symbolizes the meeting of the Skagerak and the Kattegat seas that surround the village of Skagen.

Charlotte and Henrik have divided the work between them as follows. Charlotte is primarily in charge of sales and marketing, while Henrik is in charge of the company's finance and administration.

In the United States the watches are sold at very competitive prices compared with other design watches: typically at a level of US$100–120.

The core competences of Skagen Designs are assessed as follows:

- Development of new watch concepts following the fashion trend with 'the finger on the pulse'.
- Human resource policy – both Charlotte and Henrik use a lot of time walking around and communicating with employees and to let them feel that Skagen Designs is one big team with the same family-oriented values in all parts of the worldwide organization.
- Quick and flexible management decisions.
- New products are introduced five times a year (November, January, March, May and August) providing retailers with seasonal updates and giving consumers the opportunity to update the style for each season.
- Well-developed partnerships with the 'upstream' specialists in the Far East who are in charge of the production at competitive prices.

Marketing the watches

In the United States Skagen Design products are launched through fashion papers like *Vogue*, *InStyle* and *Accessories*. TV shows like *Jeopardy* and *Wheel of Fortune* have been sponsored as well as actors in the series *Ally McBeal* and *The Practice*.

The company's national advertising is also placed in major industry publications as well as out-of-home advertising opportunities including billboards, buses and phone kiosks to support peak selling periods such as spring fashion, Mother's Day, Father's Day, fall fashion and Christmas.

In 2006 Skagen Designs became an official sponsor of the professional cycling team CSC. Its wins include some of the most prestigious trophies in the sport of cycling, including a second place in the 2005 Tour de France for Ivan Basso as well as Yellow Jerseys for David Zabriskie and Jens Voigt. Skagen Denmark's Team CSC watch collection is comprised of six new styles of performance-inspired, Swiss-made watches featuring ultra lightweight and durable titanium cases and water-resistant leather straps. Two of these new styles, the Ivan Basso Special Edition and the Ivan Basso 'Yellow Jersey' Special Edition, are numbered and endorsed with Basso's signature on the dials and case backs. In Spring 2006 Ivan Basso also won 'Tour of Italy' (Italian Giro) and he was one of the top favourites for the 2006 Tour de France. However, just two days before the start of the Tour de France in July 2006, Ivan Basso and Jan Ullrich were excluded from the Tour because of a doping scandal in Spain.

Competitors

As a fashion company Skagen Designs is competing with all the major international companies designing watches – for example, Calvin Klein, Coach, Guess, Gucci, Swatch, Alfex and Jacob Jensen. Most of these companies possess a financial strength many times larger than Skagen Designs.

Questions

As an expert in international marketing Charlotte and Henrik have called you in to get valuable input in connection with the international expansion of Skagen Designs. Therefore, you need to answer the following questions. If necessary, make your own conditions and remember to state the reasons for your answers.

1. What screening criteria should Skagen Designs use in connection with its choice of new markets for its watch collection?
2. Make a specific choice of new markets for Skagen Designs. Table 1 and Table 2 can be used to support your argument.
3. Which 'market entry mode' should Skagen Designs use on the chosen markets?
4. Skagen Designs has launched other product lines (e.g. sun glasses, branded items for the home) with varying success. What should be the guidelines for including other product lines in the Skagen Designs collection?
5. Which criteria should Skagen Designs use for its selection of future sponsor partners?
6. Skagen Designs is considering online sale of its watches. What problems and possibilities do you see for the company in this area? On this basis what are your conclusions?

Table 1 Volume of different watch markets, 2005

	2000	2001	2002	2003	2004	2005	2000–05 (%)
Retail volume in thousands of units							
Belgium	624.98	515.02	714.37	739.44	778.06	819.53	31
France	5,035.20	4,913.47	4,987.27	4,837.80	4,827.73	4,825.53	−4
Germany	7,501.72	7,452.94	8,217.55	10,284.34	10,918.50	9,859.88	31
Italy	5,712.08	5,482.23	5,366.33	5,874.31	6,525.52	6,893.24	20
Netherlands	5,613.00	5,850.00	5,931.00	6,073.00	6,200.00	6,414.00	14
Spain	12,299.70	12,018.98	11,810.19	11,533.47	11,308.69	10,989.01	−11
Sweden	2,491.00	2,565.00	2,641.00	2,719.50	2,800.00	2,884.00	16
United Kingdom	17,800.00	17,900.00	18,100.00	18,400.00	16,000.00	15,500.00	−13
Hungary	1,106.19	1,113.93	1,126.19	1,134.07	1,140.87	1,150.00	4
USA	63,954.47	55,441.04	50,370.68	48,500.85	51,593.56	53,037.50	−17
Mexico	35,690.68	38,721.57	34,946.59	47,598.71	46,780.14	47,851.56	34
China	57,500.00	60,000.00	61,000.00	61,900.00	59,725.00	64,000.00	11
India	33,469.00	35,876.98	38,829.72	41,778.67	47,232.00	52,324.80	56
Japan	9,864.95	9,751.41	9,615.49	9,530.93	9,431.18	9,333.77	−5
Australia	3,189.74	3,505.84	3,604.25	3,817.23	3,920.20	4,001.79	25
South Africa	23,117.73	21,081.80	26,000.23	15,925.30	18,117.89	16,348.31	−29
Number of watches per 1000 people							
Belgium	61.04	50.18	69.29	71.41	74.86	78.62	
France	85.71	83.22	84.04	81.09	80.49	80.04	
Germany	91.30	90.60	99.68	124.59	132.13	119.21	
Italy	99.03	94.78	92.51	101.03	112.03	118.17	
Netherlands	353.82	365.92	368.26	375.06	380.97	392.24	
Spain	309.56	299.56	292.26	284.13	277.52	268.82	
Sweden	281.11	288.76	296.44	304.19	312.12	320.36	
United Kingdom	303.53	303.13	305.59	309.62	268.40	259.19	
Hungary	108.22	109.21	110.68	111.82	112.85	114.08	
USA	232.45	199.78	180.02	171.95	181.46	185.06	
Mexico	363.59	388.41	345.29	463.43	448.98	452.90	
China	45.69	47.31	47.79	48.15	46.11	49.07	
India	33.19	35.00	37.28	39.51	44.00	48.05	
Japan	77.72	76.61	75.45	74.70	73.83	73.00	
Australia	166.54	180.59	183.30	192.60	195.87	198.05	
South Africa	527.18	470.37	569.51	343.00	381.02	336.62	

Source: Adapted from Euromonitor and trade sources/national statistics.

Table 2 Value of different watch markets, 2005

	2000	2001	2002	2003	2004	2005	2000–05 (%)
(US$ million)							
Belgium	23.91	17.06	20.50	26.20	29.51	30.34	27
France	934.22	910.42	945.84	1,097.25	1,205.66	1,205.42	29
Germany	1,429.95	1,519.96	1,762.75	2,699.99	2,846.60	2,954.50	107
Italy	951.62	918.02	934.11	1,103.06	1,215.72	1,311.61	38
Netherlands	189.50	191.64	204.00	250.15	275.03	284.86	50
Spain	804.77	792.48	849.75	1,027.89	1,141.35	1,155.92	44
Sweden	214.69	198.02	218.48	273.54	312.97	318.41	48
United Kingdom	960.77	942.91	1,064.11	1,225.10	1,328.51	1,359.78	42
Hungary	19.56	19.50	21.98	25.40	28.33	29.09	49
USA	7,477.65	6,486.85	6,321.98	6,426.05	7,118.52	7,206.49	−4
Mexico	200.44	246.59	274.57	303.69	353.17	434.30	117
China	405.27	500.66	518.67	544.28	604.10	655.09	62
India	191.37	232.18	288.58	416.40	675.55	975.02	410
Japan	4,560.11	4,109.99	4,077.30	4,493.29	4,916.32	4,901.23	8
Australia	171.92	168.72	181.51	226.99	264.75	281.81	64
South Africa	245.67	221.85	235.62	228.68	323.93	451.58	84
US$ per capita							
Belgium	2.34	1.66	1.99	2.53	2.84	2.91	
France	15.90	15.42	15.94	18.39	20.10	19.99	
Germany	17.40	18.48	21.38	32.71	34.45	35.72	
Italy	16.50	15.87	16.10	18.97	20.87	22.49	
Netherlands	11.95	11.99	12.67	15.45	16.90	17.42	
Spain	20.25	19.75	21.03	25.32	28.01	28.28	
Sweden	24.23	22.29	24.52	30.60	34.89	35.37	
United Kingdom	16.38	15.97	17.97	20.62	22.29	22.74	
Hungary	1.91	1.91	2.16	2.50	2.80	2.89	
USA	27.18	23.38	22.59	22.78	25.04	25.15	
Mexico	2.04	2.47	2.71	2.96	3.39	4.11	
China	0.32	0.39	0.41	0.42	0.47	0.50	
India	0.19	0.23	0.28	0.39	0.63	0.90	
Japan	35.93	32.29	32.00	35.22	38.49	38.33	
Australia	8.98	8.69	9.23	11.45	13.23	13.95	
South Africa	5.60	4.95	5.16	4.93	6.81	9.30	

Source: Adapted from Euromonitor and trade sources/national statistics.