



CHAPTER OVERVIEW

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Oreo cookies, the iconic American cookie brand, were first introduced in China in 1996, more than eighty years after the U.S. launch. In 2005, as sales of Oreos in China had been flat for five years, Kraft decided to refashion the Oreo for the China market. Up to then Kraft was simply selling the U.S. version of Oreos. To guide the makeover, Kraft initiated a huge market research project. Kraft learned that Oreos were far too sweet for Chinese consumers. The company tested out twenty prototypes of reduced-sugar Oreos before arriving at the right formulation. Another finding was that a package of 14 Oreos priced at five yuan (about seventy cents) was too expensive for many Chinese. Kraft launched smaller-sized packages for just two yuan. However, the most radical change was the shape of the cookies. Kraft's researchers found out that sales of wafer cookies were increasing much faster than traditional round cookies. Therefore, in 2006 Kraft introduced a new version of the Oreo: a long, narrow, layered stack of crispy wafer filled with vanilla and chocolate cream, all coated with chocolate (see **Exhibit 6-1**). The new Oreos were so successful that Kraft decided to sell them in other Asian markets, in Australia, and in Canada.¹

The Kraft story highlights the potentially huge benefits of market research in foreign markets. Given the complexity of the global marketplace, solid marketing research is critical for a host of global marketing decisions. Skipping the research phase

¹“Kraft Reinvents Iconic Oreo to Win in China,” *The Wall Street Journal*, May 1, 2008, p. 28.

EXHIBIT 6-1**OREO WAFER STICKS—PRODUCT DEVELOPED BASED ON KRAFT'S MARKET RESEARCH IN CHINA**

in the international marketing decision process can often prove a costly mistake. The following anecdotes illustrate that even marketing behemoths such as Wal-Mart and Procter & Gamble sometimes fail to live up to the “Test, Test, Test” maxim:

- When Wal-Mart first entered the Argentine market, its meat counters featured T-bone steaks—not the rib strips and tail rumps that Argentines prefer. Jewelry counters displayed emeralds, sapphires, and diamonds. Argentine women, however, prefer wearing gold and silver. The hardware departments had tools and appliances for 110-volt electric power, while the standard throughout Argentina is 220-volt.²
- In Japan, Procter & Gamble stumbled into a cultural minefield by showing a Camay commercial that featured a man walking into the bathroom while his spouse was taking a bath. This spot raised eyebrows in Japan, where a husband is not supposed to impose on his wife’s privacy in the bathroom. A Japanese ad campaign for its all-temperature Cheer laundry detergent brand mistakenly assumed that Japanese housewives wash clothes in different temperatures. Japanese women do their laundry in tap water or leftover bath water.³
- In China, Toyota was forced to withdraw an ad showing Chinese stone lions bowing in respect to a Prado Land Cruiser sport-utility vehicle. The ad campaign was intended to reflect Prado’s imposing presence when driving in the city. The campaign struck a historic nerve for some Chinese consumers because, as some consumer critics pointed

²“Wal-Mart Learns a Hard Lesson,” *International Herald Tribune*, December 6, 1999, p. 15.

³Alecia Swasy, *Soap Opera. The Inside Story of Procter & Gamble* (New York: Random House, 1993), p. 268.

out, the lions bore a close resemblance to those flanking the Marco Polo Bridge, the site near Beijing of the opening battle in Japan's 1937 invasion of China.⁴

Most of such cultural blunders stem from inadequate marketing research. Market research assists the global marketing manager in two ways:⁵(1) to make better decisions that recognize cross-country similarities and differences and (2) to gain support from the local subsidiaries for proposed marketing decisions.

To some degree, the procedures and methods that are followed in conducting global marketing research are close to those used in standard domestic research. Most of the marketing research tricks-of-the-trade available for the domestic market scene (e.g., questionnaire design, focus group research, multivariate techniques such as cluster analysis, conjoint measurement) can be employed fruitfully in the global marketplace. Also, the typical sequence of a multicountry market research process follows the familiar pattern used in domestic marketing research. In particular, the steps to be followed to conduct global market research are:

1. Define the research problem(s).
2. Develop a research design.
3. Determine information needs.
4. Collect the data (secondary and primary).
5. Analyze the data and interpret the results.
6. Report and present the findings of the study.

A typical example of a multicountry market research project is summarized in **Exhibit 6-2**. At each of these six steps, special problems may arise when the research activity takes place in foreign markets. The major challenges that global marketing researchers need to confront are:⁶

EXHIBIT 6-2

A MULTICOUNTRY MARKETING RESEARCH PROJECT AT ELI LILLY: ESTIMATING THE MARKET POTENTIAL FOR A PRESCRIPTION WEIGHT LOSS PRODUCT

- **Research Problem:**

Estimate the dollar potential for a prescription weight-loss product in the U.K., Spain, Italy, and Germany.

- **Research Hypothesis:**

Patients would be willing to pay a premium price for the product even without reimbursement by the government.

- **Secondary Data Research:**

- Market share of a similar product (Isomeride).
- Incidence of overweight and obesity in Europe.⁷

- **Primary Data Research:**

- Sample size: 350 physicians from the U.K., Italy, Spain, and Germany.
 - Sampling procedure: random selection from a high-prescribers doctor list based on company data.
 - Data Collected:
 - (1) Diary kept by physicians for 2 weeks.
 - (2) Questionnaires completed by patients who were judged to be prospect for the product by physician.
 - (3) Pricing study done based on 30 additional phone interviews with physicians in the U.K., Italy and Spain to measure price sensitivity.
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Source: Based on: William V. Lawson, "The "Heavyweights"—Forecasting the obesity market in Europe for a new compound," *Marketing and Research Today*, November 1995, pp. 270–74.

⁴"Cultural Pitfalls Tarnish Some Ads in China," *Asian Wall Street Journal*, January 19, 2004, p. A8.

⁵Kamran Kashani, "Beware the Pitfalls of Global Marketing," *Harvard Business Review*, Sept.–Oct. 1989, p. 97.

⁶Susan P. Douglas and C. Samuel Craig, *International Marketing Research*, Englewood Cliffs, NJ: Prentice-Hall, 1983.

⁷Overweight: people whose body-weight is 25–29 percent over the recommended weight; obese: people whose body-weight is more than 30 percent over their ideal weight.

1. Complexity of research design due to environmental differences.
2. Lack and inaccuracy of secondary data.
3. Time and cost requirements to collect primary data.
4. Coordination of multicountry research efforts.
5. Difficulty in establishing comparability across multicountry studies.

In this chapter, you will learn about the major issues that complicate cross-country research. We also suggest ways to cope with these roadblocks. We then describe several techniques that are useful for market demand assessment. Next we discuss how the Internet can support global market research studies. During the last two decades new market information technologies have emerged. We discuss the impact of these technological advances on marketing research. Finally, we consider several issues that concern the management of global market research.

RESEARCH PROBLEM FORMULATION



Any research begins with a precise definition of the research problem(s) to be addressed. The cliché of a well-defined problem being a half-solved problem definitely applies in a global setting. Fancy data-analytical tools will not compensate for wrong problem definitions. Once the nature of the research problem becomes clear, the research problem needs to be translated in specific research questions. The scope of market research questions extends to both strategic and tactical marketing decisions. For example, a product positioning study carried out for BMW in the European market centered on the following three issues:

1. What does the motorist in the country concerned, demand of his/her car?
2. What does s/he believe s/he is getting from various brands?
3. What does that imply with regard to positioning the BMW brand across borders?⁸

In an international context, the marketing research problem formulation is hindered by the self-reference criterion, that is, people's habit to fall back on their own cultural norms and values (see Chapter 4). This tendency could lead to wrong or narrow problem definitions. In a multicountry research process, the self-reference criterion also makes finding a consensus between headquarters and local staff an immensely formidable task. To avoid such mishaps, market researchers must try to view the research problem from the cultural perspective of the foreign players and isolate the influence of the self-reference criterion. At any rate, local subsidiaries should be consulted at every step of the research process if the study will affect their operations, including the first step of the problem definition.

A major difficulty in formulating the research problem is the lack of familiarity with the foreign environment. This may lead to making false assumptions, misdefining the research problem(s), and, ultimately, misleading conclusions about the foreign market(s). To reduce part of the uncertainty, some exploratory research at the early stage of the research process is often very fruitful. A useful vehicle for such preliminary research is an **omnibus survey**.⁹ Omnibus surveys are regularly scheduled surveys that are conducted by research agencies (e.g., ACNielsen) with questions from multiple clients. The surveys are administered to a very large sample of consumers, usually a panel created by the agency. The questionnaire contains a plethora of questions on a variety of topics. Each research client can include one or more questions in the survey while sharing demographic information about respondents with the other clients. The

⁸Horst Kern, Hans-Christian Wagner, and Roswitha Hassis, "European Aspects of a Global Brand: The BMW Case," *Marketing and Research Today*, February 1990, pp. 47–57.

⁹David A. Aaker, V. Kumar, and George S. Day, *Marketing Research* (New York: John Wiley & Sons, Inc., 1998), p. 237.

prime benefit of an omnibus survey is its cost, as the subscribers to the survey share the expenses. Surveys are typically priced on a per-question basis. Another selling point is speed; results are quickly available, sometimes within a week when the omnibus is run on a weekly basis. A major disadvantage is that only a limited amount of company-relevant information is obtainable through an omnibus. Also, the panel is not always representative of the firm's target market profile although the client can sometimes select from a target market rather than sample from all respondents.

Still, an omnibus survey is probably the most economical way to gather preliminary information on target markets. An omnibus is particularly suitable when you need to ask a few simple questions across a large sample of respondents. Findings from an omnibus can assist managers and researchers in fine-tuning the research problem(s) to be tackled. An omnibus is also an option to gauge the market potential for your product in the foreign market when you have only a limited budget. Omnibuses conducted on a regular basis can also be useful as a tracking tool to spot changes in consumer attitudes or behaviors. **Exhibit 6-3** presents the key features of ACNielsen's China omnibus.

Once the research issues have been stated, management needs to determine the information needs. Some of the information will be readily available within the company or in publicly available sources. Other information will need to be collected from scratch.

EXHIBIT 6-3

ACNIELSEN CHINA OMNIBUS

Geographical Coverage:

- (a) Key cities: Guangzhou, Shanghai, Beijing
- (b) 7 other cities: Chengdu, Fuzhou, Hangzhou, Nanjing, Shenyang, Tianjin, Wuhan

Timing:

Four rounds

Sample Size:

500 interviews in each city

Sampling Procedure:

Random probability sampling with face-to-face interviews

Deliverables:

- Self-explanatory charts and computer tables.
- Demographics (including, gender, age, education, marital data, household size, household purchase decision maker, household head, occupation, nature of work unit, monthly household income) tabulated against proprietary questions.

Examples of Omnibus Questions:

- Do you use X?
- How often do you use X?
- What do you like/dislike about X?
- How much did you pay for X?
- Have you seen any ad for Y?

Cost:

Total cost depends on:

- (a) Number of questions
- (b) Nature of question: open-ended versus close-ended
- (c) Sample size
- (d) Number of cities

Fee per person is USD1.00 or less (sample size) with setup cost of USD2,000 for any project under USD10,000. For instance, a project covering two cities and a sample size of 1,000 subjects will cost USD3,000.

SECONDARY GLOBAL MARKETING RESEARCH



Assessing the information needs is the next step after the research problem definition. Some pieces of information will already be available. That type of information is referred to as **secondary data**. When the information is not useful, or simply does not exist, the firm will need to collect the data. **Primary data** are data collected specifically for the purpose of the research study. Researchers will first explore secondary data resources, since that kind of information is usually much cheaper and less time consuming to gather than primary data. Both forms of data collection entail numerous issues in an international marketing setting. We first discuss the major problems concerning secondary data research.

Market researchers in developed countries have access to a wealth of data that are gathered by government and private agencies. Unfortunately, the equivalents of such databases often are missing outside the developed world. Even when the information is available, it may be hard to track down. A starting point for data collection is the internet or a computerized service such as Lexis/Nexis (<http://www.lexisnexis.com>) that provides real-time online access to information resources based on user-provided keywords. **Exhibit 6-4** shows the wide variety of secondary data resources that are available to

Secondary Data Sources

EXHIBIT 6-4

RESOURCES FOR SECONDARY DATA

International Trade

- *Yearbook of International Trade Statistics* (United Nations)
- *US Imports* (U.S. Bureau of the Census)
- *US Exports* (U.S. Bureau of the Census)
- *Exporters' Encyclopaedia* (Dun and Bradstreet)

Country Information (Socioeconomic & Political Conditions)

- *Yearbook of Industrial Statistics* (United Nations)
- *Statistical Yearbook* (United Nations; Updated by *Monthly Bulletin of Statistics*)
- *OECD Economic Survey*
- *The World Competitiveness Yearbook* (IMD)
- *Country Reports* (The Economist Intelligence Unit)
- *Demographic Yearbook* (United Nations)
- *Statistical Yearbook* (United Nations)
- *UNESCO Statistical Yearbook*
- *CIA World Fact Book* (www.cia.gov/cia/publications/factbook)
- www.countrydata.com (PRS Group)

International Marketing

- Euromonitor publications (www.euromonitor.com): *European Marketing Data and Statistics*, *International Marketing Data and Statistics*, *Consumer Europe*, and *European Advertising Marketing and Media Data*
- *Advertising Age* (www.adage.com)
- *FINDEX: The Worldwide Directory of Market Research Reports, Studies & Surveys* (Cambridge Information Group Directories)

Chambers of Commerce

- www.worldchambers.com/chambers.html

Directories of Foreign Firms

- *D & B Europa* (Dun & Bradstreet)
- *Directory of American Firms Operating in Foreign Countries* (World Trade Academy Press)
- *Directory of Foreign Firms Operating in the United States* (World Trade Academy Press)
- *Europe's 15,000 Largest Companies* (E L C Publishing)
- *International Directory of Importers: Europe* (Interdata)
- *Mailing Lists of Worldwide Importing Firms* (Interdata)
- *Moody's International Manual* (Moody's Investors Service)
- *Principal International Businesses; The World Marketing Directory* (Dun & Bradstreet)

global market researchers. Also, a wealth of international business resources can be accessed via the internet. One of the most comprehensive resources is the National Trade Data Bank (NTDB), maintained by the U.S. Department of Commerce (<http://www.stat-usa.gov>).¹⁰ The NTDB includes market research reports, information on export opportunities, how-to-market guides, and so forth. One of the nice features is a search engine that allows users to retrieve any information that is available on the NTDB for a given topic. Another very valuable online resource for global business intelligence is global-EDGE (<http://globaledge.msu.edu>) created by the International Business Center at Michigan State University. This resource is an extremely well-organized directory that provides linkages to hundreds of online international business resources on the internet.

Obviously, researchers can also tap information resources available within the company. Many companies have their own libraries that provide valuable data sources. Large companies typically compile enormous databanks on their operations. Government publications sometimes offer information on overseas markets. In the United States, the U.S. Department of Commerce offers detailed country reports and industry surveys. Many countries have a network of government sponsored commercial delegations (e.g., Chambers of Commerce, the Japanese External Trade Organization¹¹—www.jetro.go.jp). These agencies will often provide valuable information to firms that desire to do business in their country, despite the fact that the main charter of most of these agencies is to assist homegrown companies in the foreign market.

Besides government offices, international agencies such as the World Bank, the Organization for Economic Cooperation and Development (OECD), the International Monetary Fund (IMF), and the United Nations gather a humongous amount of data. Reports published by these organizations are especially useful for demographic and economic information. Given that most of these documents report information across multiple years, their data can be used to examine trends in socioeconomic indicators. Unfortunately, reports published by such international agencies cover only their member states.

Several companies specialize in producing business-related information. Such information is usually far more expensive than government-based data. However, this sort of information often has more direct relevance for companies. Two prominent examples are The Economist Intelligence Unit (E.I.U.) and Euromonitor. Some of the most useful resources put together by the E.I.U. (<http://www.eiu.com>) are the country reports that appear on a quarterly basis. These country reports give a detailed update on the major political and economic trends in the countries covered. Euromonitor publishes several reports that are extremely useful to global marketers. Two well-known reports are the *European Marketing Data and Statistics* and *International Marketing Data and Statistics*, annual volumes covering Europe and the global marketplace outside Europe, respectively. Euromonitor's databases are also accessible online on a subscription basis (www.euromonitor.com).

Another form of secondary data sources are syndicated datasets sold by market research companies such as ACNielsen (www.acnielsen.com) and Taylor Nelson Sofres (www.tns-global.com). These firms acquire datasets that cover purchase transactions from retail outlets whose cash registers are equipped with optical scanning equipment. Until about a decade ago, such data sources were only available in the United States. Optical scanners are now well entrenched in most Western countries. Both giants in the syndicated data business, ACNielsen and Taylor Nelson Sofres, have a major international presence now.

As firms move from government publications to syndicated data, the richness of the information increases enormously. At the same time, the cost of collecting and processing data goes up. Just as in a domestic marketing context, firms planning research in the global marketplace have to decide on the value added of additional information and make the appropriate trade-offs.

¹⁰The National Trade Data Bank information is also available on CD-ROM.

¹¹JETRO.

Problems with Secondary Data Research

In the global market scene, some of the information sought by market researchers does not exist. When data are missing, the researcher needs to infer the data by using proxy variables or values from previous periods. Even if the datasets are complete, the researcher will usually encounter many problems:

Accuracy of Data. The accuracy of secondary data is often questionable, for various reasons. The definition used for certain indicators often differs across countries. The quality of information may also be compromised by the mechanisms that were used to collect it. Most developed countries use sophisticated procedures to assemble data. Due to the lack of resources and skills, many developing countries have to rely on rather primitive mechanisms to collect data. The purpose for which the data were collected could affect their accuracy. International trade statistics do not cover cross-border smuggling activities. Such transactions are, in some cases, far more significant than legitimate trade.

Age of Data. The desired information may be available but outdated. Many countries collect economic activity information on a far less frequent basis than the United States. The frequency of census-taking also varies from country to country. In many developed countries (e.g., Italy, Spain, Poland, United States) a census is carried out every ten years. In many emerging markets, census-taking seldom takes place. In Saudi Arabia, for instance, the census has been taken only four times since the foundation of the kingdom. Lebanon has not conducted a census since 1932.

Reliability over Time. Often companies are interested in historical patterns of certain variables to spot underlying trends. Such trends might indicate whether a market opportunity opens up or whether a market is becoming saturated. To track trends, the researcher has to know to what degree the data are measured consistently over time. Sudden changes in the definition of economic indicators are not uncommon. Juggling with economic variable measures is especially likely for variables that have political ramifications, such as unemployment and inflation statistics. For instance, government authorities may adjust the basket of goods used to measure inflation to produce more favorable numbers. One notable example is Argentina. In June 2008, the country's monetary policymakers introduced a new consumer price index to doctor the official inflation rate. According to the new inflation measurement procedure, a product is removed from the index when its price rises too sharply.¹² Market researchers should be aware of such practices and, if necessary, make the appropriate corrections.

Comparability of Data. Cross-country research often demands a comparison of indicators across countries. Different sources on a given item often produce contradictory information. The issue then is how to reconcile these differences. One way to handle contradictory information is to **triangulate**, that is, to obtain information on the same item from at least three different sources and speculate on possible reasons behind these differences.¹³ For instance, suppose you want to collect information on the import penetration of wine as a percentage of total consumption in various European countries. Triangulation might show that some of the figures you collected are based on value, while others are based on volume. It might also reveal that some sources include champagne but others do not.

Comparability can also be hindered by the lack of **functional** or **conceptual equivalence**.¹⁴ **Functional equivalence** refers to the degree to which similar activities

¹²"Hocus-pocus," *The Economist*, <http://www.economist.com>, June 12, 2008.

¹³S.C. Williams, "Researching Markets in Japan – A Methodological Case Study," *Journal of International Marketing*, 4, no. 2, 1996, pp. 87–93.

¹⁴Michael R. Mullen, "Diagnosing Measurement Equivalence in Cross-National Research," *Journal of International Business Studies*, 26 (3), 1995, pp. 573–596.

or products in different countries fulfill similar functions. Many products perform very different functions in different markets. In the United States bicycles are used primarily for leisure. In countries such as the Netherlands and China, bicycles are a major means of transportation. Absence of conceptual equivalence is another factor that undermines comparability. **Conceptual equivalence** reflects the degree to which a given concept has the same meaning in different environments. Many concepts have totally different meanings or may simply not exist in certain countries. The concept of “equal rights” for women is unfamiliar in many Muslim societies. Likewise, the notion of “intellectual property” is often hard to grasp in some cultures. Often, what one culture sees as obvious the other does not.

The comparison of money-based indicators (e.g., income figures, consumer expenditures, international trade statistics) is hampered by the need to convert such figures into a common currency. The key issues are what currency to use and at what exchange rate (beginning of the year, year-end, or year-average). A further complication is that exchange rates do not always reflect the relative buying power between countries. As a result, comparing economic indicators using market exchange rates can be very misleading.

Lumping of Data. Official data sources often group statistics on certain variables in very broad categories. This compromises the usefulness and the interpretation of such data for international market researchers. Managers should check what is included in certain categories.¹⁵

Given the hurdles posed by secondary data, it is important to verify the quality of collected information. To assess the quality of data, the researcher should seek answers to the following checklist:

1. When were the data collected? Over what time frame?
2. How were the data collected?
3. Have the variables been redefined over time?
4. Who collected the data?
5. For what purpose were the data gathered?

Of course, satisfactory answers to any of these questions may not ensure total peace of mind. Researchers and managers should always be on guard regarding the quality of secondary data.

◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ PRIMARY GLOBAL MARKETING RESEARCH

Seldom do secondary data prove sufficient for international market research studies. The next step in the research process is to collect primary data specifically for the purpose of the research project. Primary data can be collected in several ways: (1) focus groups, (2) survey research, (3) observational research, and (4) test markets. In this section we will concentrate the first three approaches. The last one, test marketing, is discussed in Chapter 11 on global new product development. Global Perspective 6-1 shows the important role of primary market research for multinational companies like L'Oréal.

Focus Groups Before embarking on large-scale quantitative market research projects, most firms will conduct exploratory research. One of the most popular tools at this stage is the focus group. A **focus group** is a loosely structured free-flowing discussion among a small group (eight to twelve people) of target customers facilitated by a professional moderator. Focus groups can be used for many different purposes: to generate

¹⁵S.C. Williams, “Researching Markets in Japan,” p. 90.



GLOBAL PERSPECTIVE 6-1

GLOBAL MARKET RESEARCH IN THE WORLD OF BEAUTY

Research is an essential weapon in the global cosmetics and grooming market, worth around \$231 billion in 2005. L'Oréal, a leading French cosmetics maker, spent €507 million (\$608 million) on research in 2005, more than 3 percent of its sales revenues. The company has a network of 14 research centers spanning the globe. In 2003, the company opened a multi-million dollar R&D lab in Chicago. The Chicago facility boasts being the first lab that focuses on the beauty needs of people of color.

Differences clearly exist in the world of beauty. In Japan, women apply mascara with an average of one hundred brush strokes, compared to fifty strokes for European women. South Korean women use no less than 9 to 12 products for their morning grooming routine. In France, L'Oréal researchers created an "atlas for the human hair" based on a study of the hair of test subjects from the Paris region and Chinese cities. Differences between ethnic groups were found in hair-growth rates, development of grayness, and hair density.

Sources: www.loreal.com, accessed February 18, 2006; "The World of Beauty: Skin Deep, But So Very Personal," *International Herald Tribune* (February 4–5, 2006): 13–14; "Battle for the Face of China," *Fortune* (December 12, 2005): 156–62.

China is one of L'Oréal's strategically most critical markets. L'Oréal translates its name into Putongua as "Olayia" meaning "elegance from Europe." Thirty percent of its products are adapted for the China market. Sales in China generated revenue of around \$240m in 2004. In 2005 L'Oréal opened an R&D center in Shanghai. The facility occupies a 32,000 square-foot (about 3,200 square-meter) area in Pudong, Shanghai's industrial center, and is stocked with pigments, oils, and waxes. Microscopes and chromometers measure the effectiveness of skin-whitening creams. Two-way mirrors allow researchers to observe the way Chinese women apply makeup. The lab also tests the effectiveness of Chinese herbs, roots, and flowers for the skin and hair.

Each year, L'Oréal interviews 35,000 women in China to learn about their tastes. Its researchers discovered a Shanghai woman whose hair is four meters (13 feet) long. The subject is now under contract as a test case to study the impact of aging on hair fiber. L'Oréal researchers also make house calls to get a picture of Chinese women's grooming habits. From these home visits, L'Oréal found out that many Chinese wash themselves and shampoo over a bowl of water to conserve water in places with water supply shortages. Spurred by this finding, L'Oréal developed a new shampoo that allows easy suds rinsing.

information to guide the quantitative research projects, to uncover new product opportunities, to test out new product concepts, and so forth.¹⁶ Early 2008 focus groups in Stockholm, Tokyo, Zürich, and London were introduced to and asked to comment on digital Sony e-readers and prototype color e-paper displays, less than a millimeter thick. The global focus group test allowed newspaper publishers to identify common drivers and barriers in consumer expectations as well as regional differences.¹⁷

The rules for designing and running focus groups in a domestic marketing setting, apply to global market research projects as well.¹⁸ Hiring well-trained moderators is critical in conducting focus groups for international market research. Moderators should be familiar with the local language and social interaction patterns. In some countries the focus group moderator should be of the same gender as the participants. Cultural sensitivity is an absolute must with focus groups. Japanese consumers tend to be much more hesitant to criticize new product ideas than their Western counterparts.¹⁹ Also, many Asian societies like Japan are highly collective ("Confucian"). Strangers outside the group are excluded. As a result, getting the desired group dynamics for

¹⁶One of the authors recently participated in a focus group for Cathay Pacific, a Hong Kong based airline. The focus group discussion covered topics such as the launch of a new lounge, Cathay's website, and its in-flight magazine.

¹⁷<http://www.biz-community.com/Article/196/16/25598.html>, accessed on January 19, 2009.

¹⁸See, for example, Thomas C. Kinnear and James R. Taylor, *Marketing Research*, New York, NY: McGraw-Hill, Inc., 1996, Chapter 10.

¹⁹David B. Montgomery, "Understanding the Japanese as customers, competitors, and collaborators," *Japan and the World Economy*, vol. 3, no. 1, 1991, pp. 61–91.

focus groups within such cultures is often very hard. To stimulate group dynamics, the following steps should be taken:²⁰

- Be precise in recruitment to ensure group homogeneity and ease of bonding.
- Hire moderators who are able to develop group dynamics quickly through warm-ups, humor, group-playing.
- Hire moderators who can spot and challenge “consensus”-claimed behaviors and attitudes.

When analyzing and interpreting focus group findings, market researchers should also concentrate on the nonverbal cues (e.g., gestures, voice intonations).²¹ Information provided by these nonverbal cues is often as important as the verbal content of the focus groups.

Survey Methods for Cross-Cultural Marketing Research

Questionnaires are the most common vehicle to gather primary data in marketing research. Survey research begins with the design of a questionnaire. The next step is to develop a sampling plan to collect the data. Once these two tasks have been accomplished, the researcher moves to the next phase, the physical collection of information to the questionnaires. Each stage may lead to major headaches.

Questionnaire Design. By far the most popular instrument to gather primary data is the questionnaire. Preparing questionnaires for global market research poses tremendous challenges. As in domestic marketing, care should be exercised with the wording and the sequencing of the questions. With multicountry projects, further care is needed to assure comparability of survey-based results across frontiers. Measurement issues in cross-country research center around this question: “Are the phenomena in countries A and B measured in the same way?” Absence of measurement equivalence will render cross-country comparisons meaningless. Earlier we discussed the need for conceptual and functional equivalence of secondary data. The same requirements apply to primary data in order to avoid cultural biases. Cross-country survey research needs to fulfill two further criteria: **translation** and **scalar equivalence**.

The first aspect deals with the translation of the instrument from one language into another one. Cross-cultural research, even within the same country or parent language (e.g., English, Spanish), demands adequate translations from the master questionnaire into other languages. Careless translations of questionnaires can lead to embarrassing mistakes. Good translations are hard to accomplish. Several methods exist to minimize translation errors. Two procedures often used to avoid sloppy translations are back-translation and parallel translation. **Back-translation** is a two-phase process. Suppose a company wants to translate a questionnaire from English into Arab. In the first step, the master questionnaire is translated into Arab by a (bilingual) translator whose native language is Arab, the target language. In the second stage, another bilingual interpreter whose native language is English, the base language, translates the Arab version back into English. This version is then compared with the original survey to uncover any bugs or translation errors. The process is repeated until an acceptable degree of convergence is achieved. **Parallel translation** consists of using multiple interpreters who translate the same questionnaire independently. A committee of translators compares alternative versions and differences are reconciled.

Most surveys typically have a battery of questions or “Agree/Disagree” statements with a scale (e.g., 7-point) to record responses. To make the findings of cross-country market research projects meaningful, it is paramount to pursue **scalar equivalence**:

²⁰Chris Robinson, “Asian culture: the marketing consequences,” *Journal of the Market Research Society*, 38, no. 1, 1996, pp. 55–62.

²¹Naresh K. Malhotra, James Agarwal, and Mark Peterson, “Methodological issues in cross-cultural marketing research. A state-of-the-art review,” *International Marketing Review*, 13, no. 5, 1996, pp. 7–43.

scores from subjects of different countries should have the same meaning and interpretation.²² The standard format of scales used in survey research differs across countries. Keep in mind that high scores in one country are not necessarily high scores elsewhere. Latin Americans, for example, tend to use the high end of the scale. An unenthusiastic respondent may still give your company a “7” or an “8” score. Asians, on the other hand, tend to use the middle of the scale.²³

In some cases, you may also need to adjust the anchors of the scale. One market research study that measured attitudes of Japanese managers adopted scales that included “definitely true,” “somewhat true,” and “not all true.” A pre-test of the survey showed that the Japanese respondents had trouble with the concept of “agree/disagree.”²⁴ To make cross-country comparisons meaningful, it is advisable to adjust responses in each country by, for instance, taking deviations from country-averages on any given question. By the same token, in some societies people are cued to view “1” as best and the other endpoint of the scale as worst, while in others “1” is considered the worst, regardless of how the scale is designated.

Survey research in developing nations is further compounded by low levels of education. Specially designed visual scales like the Funny Faces scale (see **Exhibit 6-5**) are sometimes used to cope with illiteracy. In developing countries, market researchers should also try to reduce the verbal content and use visual aids. In countries that are unfamiliar with survey research, it is advisable to avoid lengthy questionnaires or open-ended questions.²⁵

Regardless of whether the survey is to be administered in Paris, Texas, or Paris, France, it is absolutely imperative to pre-test the questionnaire. Pre-testing is the only foolproof way to debug the questionnaire and spot embarrassing, and often expensive, mistakes. Speed is often critical when collecting data. However, rushing into the field without a thorough pre-test of the questionnaire is a highly risky endeavor.

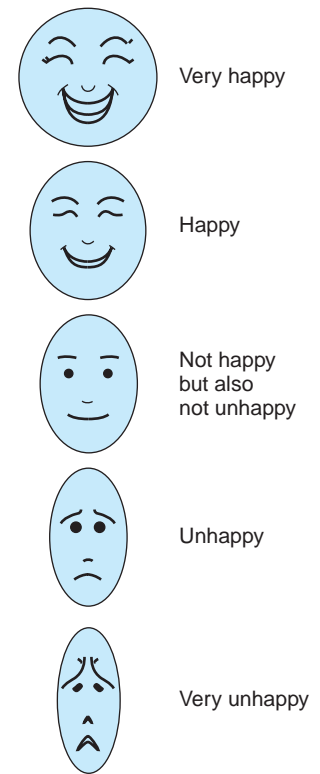
Sampling Plan. To collect data, the researcher has to draw a sample from the target population. A sampling plan basically centers around three issues:²⁶

1. Who should be surveyed? What is our target population (**sampling unit**)?
2. How many people should be surveyed (**sample size**)?
3. How should prospective respondents be chosen from the target population (**sampling procedure**)?

Decisions on each of these issues will be driven by balancing costs, desired reliability, and time requirements. In multicountry research, firms also need to decide what countries should be researched. There are two broad approaches. The first approach starts off with a large-scale exploratory research project covering many countries. This step might take the form of an omnibus survey. The alternative approach focuses on a few key countries. To choose these countries, a firm might group countries (e.g., along sociocultural indicators) and pick one or two representative members from each cluster. Depending on the findings coming from this first pool of countries, the research process is extended to cover other countries of interest.

The preparation of a sampling plan for multicountry research is often a daunting task. When drawing a sample, the researcher needs a sampling frame, that is, a listing of the target population (e.g., a telephone directory). In many countries, such listings simply do not exist or may be very inadequate. The proportion of individuals meeting

EXHIBIT 6-5 THE FUNNY FACES SCALE



Source: C.K. Corder, “Problems and Pit-falls in Conducting Marketing Research in Africa,” in Betsy Gelb, ed., *Marketing Expansion in a Shrinking World*. Proceedings of American Marketing Association Business Conference (Chicago: AMA, 1978), pp. 86–90.

²²Naresh K. Malhotra, James Agarwal, and Mark Peterson, “Methodological issues in cross-cultural marketing research. A state-of-the-art review,” *International Marketing Review*, p. 15.

²³Jennifer Mitchell, “Reaching across borders,” *Marketing News* (May 10, 1999), p. 19.

²⁴Jean L. Johnson, Tomoaki Sakano, Joseph A. Cote, and Naoto Onzo, “The Exercise of Interfirm Power and Its Repercussions in U.S.-Japanese Channel Relationships,” *Journal of Marketing*, vol. 57, no. 2, April 1993, pp. 1–10.

²⁵Kaynak Erderer, *Marketing in the Third World*, New York: Praeger, 1982, Chapter 4.

²⁶See, for example, Naresh K. Malhotra, *Marketing Research. An Applied Orientation*, Englewood-Cliffs, NJ: Prentice Hall, 1993, Chapter 13.

the criteria of the target population could vary considerably. This forces the researcher to be flexible with the sampling methods employed in different countries.²⁷

Computing the desired sample size in cross-country market research often becomes at best guesswork because the necessary pieces of information are missing. Desired sample sizes may also vary across cultures. Typically, heterogeneous cultures (e.g., India) demand bigger samples than homogeneous cultures (e.g., South Korea, Thailand).²⁸ This is due to the fact that diverse cultures typically have much more variance in the traits to be measured than homogeneous ones.

Most researchers prefer some form of probabilistic sampling that enables them to make statistical inferences about the collected data. The absence of sampling frames and various cultural hurdles (e.g., inapproachability of women in Muslim societies) make a non-probabilistic sampling procedure such as convenience sampling, the only alternative, especially in developing countries.

Contact Method. After preparing a sampling plan, you need to decide how to contact prospective subjects for the survey. The most common choices are mail, telephone, or person-to-person interviews (e.g., shopping mall intercepts). These days the internet has also become a viable alternative. Several factors explain why some methods prevail in some countries and are barely used elsewhere. Cultural norms often rule out certain data collection methods. Germans tend to show greater resistance to telephone interviewing than other Europeans.²⁹ In several countries, landline phones are in decline. In Finland, for instance, about 50 percent of the homes are mobile phone only.³⁰ Daytime phone calls will not work in Saudi Arabia, since social norms dictate that housewives do not respond to calls from strangers.³¹ Cost differentials will also make some methods preferable over others. **Exhibit 6-6** shows a market research cost

EXHIBIT 6-6
ESOMAR 2007 MARKET RESEARCH
PRICE STUDY

<i>Rank</i>	<i>Country</i>	<i>Index</i>
1	Ireland	224
2	USA	220
3	France	204
4	UK	202
5	Belgium	185
6	Germany	181
7	Switzerland	179
8	Japan	176
9	Finland	173
10	Sweden	170
54	Peru	59
55	Cyprus	58
56	Ecuador	57
56	Ukraine	57
58	Egypt	56
59	Panama	54
60	Guatemala	52
61	Bulgaria	46
62	Macedonia	41
63	Pakistan	35

Source: Compiled from data presented at <http://www.b2binternational.com/b2b-blog/2007/11/15/market-research-prices-a-global-comparison-part-i/>

²⁷D. N. Aldridge, "Multicountry Research," in *Applied Marketing and Social Research*, U. Bradley, Ed., 2nd Edition, New York: John Wiley, 1987, pp. 364–65.

²⁸N. K. Malhotra, et al., "Methodological issues," p. 27.

²⁹D. N. Aldridge, "Multicountry Research," p. 365.

³⁰<http://www.b2binternational.com/b2b-blog/2007/11/15/market-research-prices-a-global-comparison-part-i/>, accessed January 16, 2009.

³¹Secil Tuncalp, "The Marketing Research Scene in Saudi Arabia," p. 19.

comparison based on a survey conducted by ESOMAR in 2007. The index is a composite score that was calculated using a representative quantitative and qualitative study, where an index value of 100 represents the midpoint. Note that a market research project done in the United States is more than six times as expensive as a similar study conducted in Pakistan.

In many emerging markets, the lack of a well-developed marketing research infrastructure is a major hurdle to conduct market research studies. Lack of decent phone service in many emerging countries creates a challenge for phone surveys. Using the internet to collect questionnaire data can also be hindered due to the lack of internet access or low levels of technological literacy. In the wake of cost differences and various obstacles, researchers are often forced to use multiple data collection modes to conduct a global research project.

Collect the Information. Once the design of your questionnaire and your sampling plan are completed, you need to collect the data in the field. This field will be covered with “landmines,” some of them fairly visible, others invisible. Primary data collection may be hindered by respondent- and/or interviewer-related biases.

Probably the most severe problem is nonresponse due to a reluctance to talk with strangers, fears about confidentiality, or other cultural biases. In many cultures, the only way to cope with nonresponse is to account for it when determining sample sizes. In China, surveys that are sanctioned by the local authorities will lead to a higher response rate.³²

Courtesy bias refers to a desire to be polite towards the other person. This bias is fairly common in Asia and the Middle East.³³ The subject feels obliged to give responses that hopefully will please the interviewer. Another snag in survey research are biases towards **yea-** or **nay-saying**. In some countries, responses may reflect a **social desirability bias** where the subject attempts to impress the interviewer or reflect a certain social status in his responses. Topics such as income or sex are simply taboo in some regions. Unfortunately, there are no magic bullets to handle these and other biases. Measures such as careful wording and thorough pre-testing of the survey and adequate training of the interviewer, will minimize the incidence of such biases. In some cases, it is worthwhile to incorporate questions that measure tendencies such as social desirability. Another option for handling cultural biases is to transform the data first before analyzing them. For instance, one common practice is to convert response ratings or scores to questions into rankings.

House-to-house or shopping mall survey responses could also be scrambled by interviewer related biases. Availability of skilled interviewers can be a major bottleneck in cross-country research, especially in emerging markets. Lack of supervision or low salaries will tempt interviewers in some countries to cut corners by filling out surveys themselves or ignoring the proper sampling procedure. In many cultures, it is advisable to match interviewers to interviewees. Disparities in cultural backgrounds may lead to misunderstandings.³⁴ In some societies (e.g., Latin America), local people regard survey-takers with suspicion.³⁵ Obviously, adequate recruiting, training and supervision of interviewers will lessen interviewer-related biases in survey research. In countries where survey research is still in an early stage and researchers have little expertise, questionnaires should not be overly complex.³⁶ When developing a survey instrument like a questionnaire for a global market research project, it is also helpful to have **redundancy**: Ask the same question in different ways and in various parts of the questionnaire. That way, the researcher can crosscheck the validity of the responses.³⁷

³²Henry C. Steele, “Marketing Research in China,” p. 160.

³³Erdener Kaynak, *Marketing in the Third World*, p. 171.

³⁴D. N. Aldridge, “Multicountry Research,” p. 371.

³⁵S. P. Douglas and C. S. Craig, *International Marketing Research*, p. 227.

³⁶J. Stafford and N. Upmeyer, “Product Shortages,” p. 40.

³⁷Naghi Namakforoosh, “Data collection methods hold key to research in Mexico,” *Marketing News*, Aug. 29, 1994, p. 28.



GLOBAL PERSPECTIVE 6-2

NOKIA'S USE OF ETHNOGRAPHIC RESEARCH

Nokia Design is a group of 250 people (psychologists, industrial designers, anthropologists) worldwide that uses human-behavioral research to get insights useful for the design of new mobile phones. Research questions may focus on current behaviors (e.g., “how are early adopters of mobile TV using mobile TV?”) or areas where growth is likely in the medium- or long-term.

The process starts with a team of anthropologists and psychologists. These researchers will spend time with local people to better understand how they behave and communicate. Insights gathered from ethnographic research assist Nokia in spotting new behavior patterns and can then be brought into the design process. Nokia also has an advanced design team that looks five to fifteen years out, trying to predict mega-trends in society.

One study looked into how people share objects. For the study, Nokia picked two cultures, Indonesia and Uganda. For

Sources: “Nokia’s Global Design Sense,” http://www.businessweek.com/print/innovate/content/aug2007/id20070810_686743.htm, accessed July 31, 2008 and “Nokia’s Design Research for Everyone,” http://www.businessweek.com/innovate/content/mar2007/id20070314_689707.htm?chan=search, accessed July 31, 2008.

the Uganda project, Nokia’s researchers wanted to spend time in the capital Kampala, in a remote fishing village, and in villages with no mobile connectivity. The study typically lasted ten to twelve days with a research team that included two or three Nokia people, one or two local guides, and up to six local university students. At each site, Nokia’s researchers observed and interviewed around thirty local people.

One surprising finding that emerged from Nokia’s research in emerging markets is the challenge of the basic assumption that a mobile phone is owned and used by a single person. Due to the cost barrier, mobile phones in emerging market communities are often shared. As a result, Nokia designed phones (Nokia 1200 and Nokia 1208) with shared use as the top priority. The phones include a shared address book so that users can save their own contacts separately from others and a call tracker that allows people to preset a time or cost limit on each call. Other features include a keypad to protect the phone from dust, a special grip to cope with hot weather conditions, a one-touch flashlight (in case of power outages), and a demo mode to quickly learn how to use a phone.

Observational Research

Besides traditional survey research methods companies also increasingly rely on less conventional observation-based methods such as **ethnographic research**. With this research approach, field workers (usually cultural anthropologists) embed themselves in the local communities that they are studying. The basic notion is to gather useful information by participating in the everyday life of the people being studied. Part of the data collection exercise often involves videotaping participating consumers in purchase or consumption settings. Techniques such as picture completion or collages are often useful when studying the behavior or feelings of young children.³⁸ **Global Perspective 6-2** describes how Nokia uses ethnographic research studies to design new mobile phones.

LEVERAGING THE INTERNET FOR GLOBAL MARKET RESEARCH STUDIES

The internet has opened up new avenues for gathering market intelligence about consumers and competitors worldwide. It is without doubt one of the richest and least expensive resources of secondary data available. One shortcoming is the sheer wealth of data that has led to an embarrassment of riches: How does one separate out the useful from the useless information? Where can one find the most reliable information? Advances in search-engine technology will hopefully provide ample solutions.

In terms of primary research, the internet has created stunning possibilities. The lower cost of online survey is clearly a major driver behind the rise of online global market research. ESOMAR’s 2007 global market research cost study found that online research

³⁸C. Samuel Craig and Susan P. Douglas, “Conducting International Marketing Research in the 21st Century,” *International Marketing Review* 18, No. 1 (2001): 80–90.

EXHIBIT 6-7**PROS AND CONS OF THE INTERNET AS A TOOL FOR GLOBAL MARKETING RESEARCH****Pros:**

- Large samples are possible in small amount of time.
- Global access of the internet.
- Cost—in most cases, on-line surveys can be done much more cheaply than using other methods—also costs are largely scale-independent in the sense that large scale surveys do not demand far bigger resources than small surveys
- Anonymity—can be helpful for sensitive topics.
- Data analysis—data can be directly loaded into statistical tools and databases, saving time and resources.
- Short response times.

Cons:

- Infrastructure—in many countries, access to the internet is still fairly limited.
- Sample representativeness—for random website surveys and e-mail surveys, representativeness can be a major issue. Likewise, there is also the risk of a self-selection bias.
- Time necessary to download pages (for website surveys)
- Technological problems such as incorrect e-mail addresses, poor connections.
- Low response rates—response rates can be fairly low; respondents may quit halfway.
- Multiple responses from same respondent.

Sources: Jonathan Dodd, “Market research on the Internet—threat or opportunity?” *Marketing and Research Today* (February 1998), pp. 60–67; Cheryl Harris, “Developing online market research methods and tools—Considering theorizing interactivity: models and cases,” *Marketing and Research Today* (November 1997), pp. 267–73; and Janet Ilieva, Steve Baron, and Nigel M. Healey, “Online Surveys in Marketing Research: Pros and Cons,” *International Journal of Market Research*, vol. 44 (Quarter 3, 2002), pp. 361–76.

was 33 percent cheaper than phone-based research. The same study also showed that online research costs are still declining in many countries such as Australia, Japan, and the United Kingdom.³⁹ Another major advantage is that marketers can get instant feedback on new product concepts or advertising concepts. Measurement tools that are especially useful in global market research include the following:

- **Online surveys.** For online survey research, three types of methods exist: (1) e-mail surveys, (2) website surveys, and (3) panel website surveys.⁴⁰ E-mail surveys are self-administered questionnaires that are sent as an attachment to e-mails to be completed by the addressee. With random website surveys, visitors to a site are asked to fill out a questionnaire. They are directed to the web page on which the survey is posted. Another variant is the pop-up survey that pops up in a new window while the user is browsing a website. These surveys are useful when the target audience is wide. Panel website surveys rely on a panel of respondents where each panel member has an e-mail address. When eligible for a survey, panel members are contacted via e-mail and asked to complete a survey that is accessible only via a password. The different forms have their advantages and disadvantages. Web-based surveys allow a better display of the questionnaire than an e-mail survey. However, e-mail surveys enable better control over who can participate. **Exhibit 6-7** summarizes the pros and cons of using on-line surveys in international marketing research. In many countries, especially those with low internet penetration, getting adequate sample representativeness of the target population is a major hurdle. To remedy this problem, global market research projects can rely on a multimode approach (e.g., web and phone interview combined with internet surveys).⁴¹ Over time, as technology and internet access improve, the appeal of online surveys is expected to grow.
- **Bulletin boards and chat groups.** Online bulletin boards are virtual corkboards where visitors can post questions, responses, and comments. Chat groups are virtual discussion groups that hold online conversations on a topic of their choice. Companies can monitor and participate in bulletin board and chat group discussions in many countries simultaneously.

³⁹<http://www.b2binternational.com/b2b-blog/2007/11/19/market-research-prices-a-global-comparison-part-ii/>, accessed on January 16, 2009.

⁴⁰Jonathan Dodd, “Market research on the Internet—threat or opportunity?” *Marketing and Research Today*, (February 1998), pp. 60–66.

⁴¹Janet Ilieva, Steve Baron, and Nigel M. Healey, “Online Surveys in Marketing Research: Pros and Cons,” *International Journal of Market Research*, 44 (Quarter 3) (2002), pp. 361–76.

- **Web visitor tracking.** Servers automatically collect a tremendous amount of information on the surfing behavior of visitors such as the amount of time spent on each page. Marketers can access and analyze this information to see, for instance, how observed patterns relate to purchase transactions.
- **Online (virtual) panels.** An **online panel** is a group of pre-screened respondents who have voluntarily agreed to participate in various online research studies. Prior to joining the online panel, respondents usually complete fill out a profiling questionnaire that gathers information on their demographics, lifestyles, interests, and so forth. Several global market research companies have set up online panels in scores of countries that can be used to collect data for multicountry market research projects for their clients. One of the largest panels is the Harris Poll Online Panel, which has over six million members from over 125 countries.⁴²
- **Focus groups.** An online focus group is set up by selecting participants who meet certain criteria. Subjects are told which chat room to enter and when. They are run like ordinary focus groups. Not only can they be administered worldwide, but transcripts of the group discussions are immediately available.

Although online research can produce high-quality market intelligence, it is important that one is aware of its shortcomings. Sample representativeness could be a major issue when internet users are not representative of the target population as a whole. This is especially a concern in countries where internet access is still low. When a sample is to be drawn, online research could be hampered through incorrect or outdated e-mail addresses.

With some of the research methods described (e.g., website surveys), there could also be a self-selection bias. Website visitors might also fill out the same questionnaire multiple times. It is also difficult to find out whether or not respondents are honest. Identity validation can also be an issue, especially when multiple people use the same e-mail address. Despite these limitations, the internet offers some clear advantages for running international market research projects. **Exhibit 6-8** describes the research methodology used by Durex to conduct its annual global “Sexual Wellbeing” survey online.

EXHIBIT 6-8

RESEARCH METHODOLOGY BEHIND THE DUREX “SEXUAL WELLBEING” SURVEY

1. **Timing:** August–September 2006.
 2. **Research objectives:** To gain global consumer insight into sexual wellbeing and its importance in overall wellbeing; understanding what makes up sexual wellbeing and the importance of each of its attributes; current levels of satisfaction.
 3. **Sample size:** Around 26,000 people in 26 countries (Australia, Austria, Brazil, Canada, China, France, Germany, Greece, Hong Kong, Italy, Japan, India, Malaysia, Mexico, Netherlands, New Zealand, Nigeria, Poland, Russia, Singapore, Spain, South Africa, Switzerland, Thailand, United Kingdom, and the United States).
 4. **Contact method:** Online with the assistance of the Harris Interactive market research agency. However, for Nigeria, a face-to-face/self completion approach was used due to low use of internet and telephone in this country.
 5. **Sampling approach:** Random samples of participants aged 16+ or 18+ were sent an e-mail invitation. Samples were drawn from Harris Interactive’s internet panel.
 6. **Questionnaire design:** A literature review was undertaken, followed by a series of workshops in local markets to ensure that the survey was culturally relevant. Once a draft was prepared, a two-phase pilot study was run to make sure respondents understood the questionnaire and found it easy to complete. The final draft was also reviewed by field experts.
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Source: <http://www.durex.com/en-GB/SexualWellbeingSurvey> accessed on August 1, 2008.

⁴²www.harrisinteractive.com, accessed on January 19, 2009.

MARKET SIZE ASSESSMENT



When deciding whether to enter a particular country, one of the key drivers is the market potential. In most developed countries, a fairly accurate estimate of the market size for any particular product is easily obtainable. For many frequently purchased consumer goods, information suppliers like ACNielsen are able to give an up-to-date estimate of category volume and market shares based on scanning technology. Such information, however, does not come cheap. Before investing a substantial amount of money, you might consider less costly ways to estimate market demand. For many industries and developing countries, information on market demand is simply not readily available. Under such circumstances, there is a need to come up with a market size estimate, using “simple” ingredients.

Below we introduce four methods that can be fruitfully employed to assess the size of the market for any given product. All of these procedures can be used when very little data are available and/or the quality of the data is dismal, such as is typically the case for many emerging markets. All four methods allow you to make a reasonable guesstimate of the market potential without necessitating intensive data-collection efforts. Market size estimates thus derived prove useful for country selection at the early stage. Countries that do not appear to be viable opportunities are weeded out. After this preliminary screening stage, richer data regarding market size and other indicators are collected for the countries that remain in the pool.

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

Method of Analogy

Let us illustrate the method with a brief example. Suppose that a consumer electronics company wants to estimate the market size for DVD players in the Ukraine. For the base country, it picks a neighboring Central European country, say Poland, for which the firm possesses information on the sales of DVD players. It also needs to choose a proxy variable that correlates highly with the demand for DVD players. One reasonable candidate is the number of color televisions in use. So, in this example, we assume that the ratio of DVD-player sales to color TV ownership in the Ukraine and Poland is roughly equivalent:

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

Because the company is interested in the demand for DVD players, it can derive an estimate based on the following relationship:

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

For this specific example, we collected the following bits of information (2001 figures):

	Sales	
	Color TV (000s)	DVD Players (000s)
Poland	14,722.64	69.17
Ukraine	15,626.15	???

Plugging in those numbers, we get:

$$\begin{aligned} & \text{Estimate DVD Player Demand}_{\text{Ukraine}} \text{ (Annual Retail Sales)} \\ & = 15,626.15 * \frac{69.17}{14,722.64} = 73.4 \end{aligned}$$

The critical part is finding a comparable country and a good surrogate measure (in this case, the number of color television sets in use). In some cases, the analogy exists between different time periods. For example, the stage of economic development in country A ten years back could be similar to the current state of the economy in country B. In the same fashion as illustrated above, we can derive an estimate for the product demand in country B, but this time we would apply the ratio between product demand and the surrogate measure in country A that existed ten years ago:

$$M_B^{2010} = X_B^{2010} * (M_A^{2000} / X_A^{2000})$$

where

M = the market size for the product of interest

X = the surrogate measure

This variant is sometimes referred to as the **longitudinal method of analogy**. Use of either approach produces misleading estimates whenever:⁴³

1. Consumption patterns are not comparable across countries due to strong cultural disparities.
2. Other factors (competition, trade barriers) cause actual sales to differ from potential sales.
3. Technological advances allow use of product innovations in a country at an earlier stage of economic development (“leapfrogging”).

McDonald’s uses a variation of the analogy method to derive market size estimates:⁴⁴

$$\frac{\text{Population of Country X}}{\text{No. of People per McDonald's in United States (21,629)}} \times \frac{\text{Per Capita Income of Country X}}{\text{Per Capita Income in United States (\$41,800)}} = \frac{\text{Potential Penetration in Country X}}$$

This method is illustrated in **Exhibit 6-9**, which contrasts the number of restaurants McDonald’s could build with its current (2004) number of outlets for a sample of countries.⁴⁵ As a benchmark, we also included the 1996 numbers. Currently, McDonald’s has around 31,000 restaurants in 121 countries and territories, out of which about 55 percent are located outside the United States.⁴⁶ Interestingly, in several countries McDonald’s appears to have saturated the market. Examples include Canada and Australia. However, in quite a few other countries, the fast-food chain still has a lot of mileage. Not surprisingly, China provides the biggest opportunity.

Trade Audit

An alternative way to derive market size estimates is based on local production and import and export figures for the product of interest. A **trade audit** uses a straightforward logic: Take the local production figures, add imports, and subtract exports:

$$\text{Market Size in Country A} = \text{Local Production} + \text{Imports} - \text{Exports}$$

⁴³Lyn S. Amine and S. Tamer Cavusgil, “Demand Estimation in Developing Country Environment: Difficulties, Techniques and Examples,” *Journal of the Market Research Society*, 28, no. 1, pp. 43–65.

⁴⁴“How Many McDonald’s Can He Build,” *Fortune* (October 17, 1994), p. 104. Population and per capita income based on estimates reported in <http://www.cia.gov/cia/publications/factbook/>, accessed on February 22, 2006.

⁴⁵For a complete listing, see <http://www.mcdonalds.com/corp/invest/pub/2004InteractiveFinancialHighlights.html>.

⁴⁶http://www.mcdonalds.com/corp/invest/pub/Interactive_Charts.html, accessed on January 13, 2009.

EXHIBIT 6-9
MARKET POTENTIAL ESTIMATES FOR MCDONALD'S

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

Sources: "How Many McDonald's Can He Build?" *Fortune*, October 17, 1994, p. 104; *World Factbook 2005*; and <http://www.mcdonalds.com/corp/invest/pub/2004InteractiveFinancialHighlights.html>, *CIA* accessed on February 22, 2006

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

The **chain ratio method** starts with a very rough base number as an estimate for the market size (e.g., the entire population of the country). This base estimate is systematically fine-tuned by applying a string ("chain") of percentages to come up with the most meaningful estimate for total market potential.

To illustrate the procedure, let us look at the potential market size in Japan for Nicorette gum, a nicotine substitute marketed by GlaxoSmithKline. Japan's total population is 127 million. In 2002, Japan's smoking rate was around 31 percent.⁴⁷ Nicorette's target is adult smokers. The 15- to 64-year-old age group is about 67.5 percent of Japan's total population.⁴⁸ With the chain ratio method, we can then derive a rough estimate for Nicorette's market potential in Japan as follows:

Japan	
Base Number	
Total Population:	127 MM people
Adult population (15–64)	85.6 MM = 0.675 × 127 MM
Adult smokers	26.5 MM = 0.31 × 85.6 MM

Obviously, given further information, we can refine this market-size estimate much further. In this case, the company also learned via surveys that 64 percent of adult smokers in Japan would like to quit or cut smoking and 25 percent of them would like to quit immediately.⁴⁹ So, Nicorette's market size potential would be approximately 4.2 million smokers (= 0.25 × 0.64 × 26.5 MM adult smokers).

⁴⁷<http://www.jointogether.org/sa/news/summaries/reader/0,1854,554957,00.html>.

⁴⁸<http://www.cia.gov/cia/publications/factbook/geos/ja.html#People>.

⁴⁹"Stubbing Out Japan's Taboo Smoking Habit," *Ad Age Global* (November 2001), p. 23

Chain Ratio Method

Cross-Sectional Regression Analysis

Statistical techniques such as cross-sectional regression can be used to produce market size estimates. With regression analysis, the variable of interest (in our case “market size”) is related to a set of predictor variables. To apply regression, you would first choose a set of indicators that are closely related to demand for the product of interest. You would then collect data on these variables and market size figures for a set of countries (the cross-section) where the product has already been introduced. Given these data, you can then fit a regression that will allow you to predict the market size in countries in your consideration pool.⁵⁰

Again, let us illustrate the procedure with a simple example. Suppose a consumer electronics firm XYZ based in Europe is considering selling DVD players in the Balkan region or the Near East. Five countries are on its shortlist: Croatia, Greece, Israel, Romania, and Turkey. The company has gathered information on the annual sales figures of DVD players in several (mostly Western) European countries. As predictor variables, the firm chose two indicators: per capita GDP (on a purchasing power parity basis) and the number of color TV sets in use. It collected data on these two measures and the (2001) sales of DVD players in fifteen European countries.⁵¹ Using these data as inputs, it came up with the following regression model:

$$\begin{aligned} \text{Annual Unit Sales DVD Players} = & -13.3 + 2.43 \times \text{Per Capita Income} \\ & + 1.25 \times \text{Number of Color TVs in Use}^{52} \end{aligned}$$

Based on this regression, we are now able to predict the yearly unit sales of DVD players in the five countries being considered. We plug in the income and number of color TV sets for the respective countries in this equation, with the following results:⁵³

Croatia	3,639
Greece	55,403
Israel	36,774
Romania	5,943
Turkey	34,345

Clearly, at least from a unit sales perspective, Greece seems to be the most promising market. Runner-up countries are Israel and Turkey.

When applying regression to produce a market size estimate, you should be careful in interpreting the results. For instance, caution is warranted whenever the range of one of the predictors for the countries of interest is outside the range of the countries used to calibrate the regression. Having said this, regression is probably one of the handiest tools to estimate market sizes, keeping in mind its constraints.

The methods we just described are not the only procedures you can use. Other, more sophisticated, procedures exist. Finally, some words of advice. Look at the three estimates for the size of the wallpaper market (in terms of number of rolls) in Morocco, based on different market-size estimation techniques:⁵⁴

Chain Ratio Method:	484,000
Method by Analogy:	1,245,000
Trade Audit:	90,500

⁵⁰For further details, see, for example, David A. Aaker, V. Kumar, and George S. Day, *Marketing Research*, New York, NY: John Wiley & Sons, 1995, Chapter 18.

⁵¹Our source for the data is <http://www.euromonitor.com>.

⁵²The R^2 equals 0.92; t-statistics are 8.1 and 8.7 for “Per Capita Income” and “Number of Color TVs” respectively. Note that we transformed the data by taking logarithms first.

⁵³GDP per capita figures (2001) are: Croatia \$8,300; Greece \$17,900; Israel \$20,000; Romania \$6,800; Turkey \$6,700. Number of color TV sets in use figures (2001, in thousands) are: Croatia 1.955; Greece 3.948; Israel 2.088; Turkey 17,262.

⁵⁴Lyn S. Amine and S. Tamer Cavusgil, “Demand Estimation in a Developing Country,” Table 4.

You immediately notice a wide gap among the different methods. Such discrepancies are not uncommon. When using market size estimates, keep the following rules in mind:

1. Whenever feasible, use several different methods that possibly rely on different data inputs.
2. Do not be misled by the numbers. Make sure you know the reasoning behind them.
3. Do not be misled by fancy methods. At some point, increased sophistication will lead to diminishing returns (in terms of accuracy of your estimates), not to mention negative returns. Simple back-of-the-envelope calculations are often a good start.
4. When many assumptions are to be made, do a sensitivity analysis by asking what-if questions. See how sensitive the estimates are to changes in your underlying assumptions.
5. Look for interval estimates with a lower and upper limit rather than for point estimates. The range indicates the precision of the estimates.⁵⁵ The limits can later be used for market simulation exercises to see what might happen to the company's bottom line under various scenarios.

NEW MARKET INFORMATION TECHNOLOGIES



These days almost all packaged consumer goods come with a bar code. For each purchase transaction, scanner data are gathered at the cash registers of stores that are equipped with laser scanning technology. The emergence of scanner data, coupled with rapid developments in computer hardware (e.g., workstations) and software has led to a revolution in market research. Although most of the early advances in this information revolution took place in the United States, Europe, and Japan rapidly followed suit. Scanning technology has spurred several sorts of databases. The major ones include:⁵⁶

- **Point-of-sale (POS) store scanner data.** Companies like ACNielsen, Taylor Nelson Sofres (TNS), and Information Resources (IRI) obtain sales movement data from the checkout scanner tapes of retail outlets. These data are processed to provide instant information on weekly sales movements and market shares of individual brands, sizes and product variants. Shifts in sales volume and market shares can be related to changes in the store environment (retail prices, display, and/or feature activity) and competitive moves. In the past, tracking of sales was based on store audits or warehouse withdrawal. The advantage of POS scanner data over these traditional ways of data gathering is obvious: far better data quality.⁵⁷ The data are collected on a weekly basis instead of bi-monthly. Further, they are gathered at a very detailed UPC⁵⁸-level, not just the brand level.
- **Consumer panel data.** Market research companies such as ACNielsen and TNS have consumer panels that record their purchases. There are two approaches to collect household level data. Under the first approach, panel members present an ID card when checking out at the cash register. That information is entered each time the household shops. The alternative approach relies on at-home scanning. On returning from each shopping trip, the panel member scans the items bought. ACNielsen's Homescan panel is an example of the latter. ACNielsen runs Homescan panels in 28 countries, monitoring the purchase behavior of over 300,000 households. In February

⁵⁵Referred to as a "confidence interval" by statisticians.

⁵⁶See, for example, Del I. Hawkins and Donald S. Tull, *Essentials of Marketing Research*, New York, NY: Macmillan Publishing Company, 1994, pp. 115–21.

⁵⁷Gerry Eskin, "POS scanner data: The state of the art, in Europe and the world," *Marketing and Research Today*, May 1994, pp. 107–17.

⁵⁸Universal Product Code.

2008, ACNielsen set up a Homescan consumer purchase panel with over 40,000 households in China.⁵⁹

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

Household level scanning data are collected now in most developed countries by research firms such as ACNielsen and GfK. Companies like Nestlé also put together their own databases. These innovations in marketing decision support systems have spurred several major developments in the marketing area:

- **Shift from mass to micro marketing.**⁶⁰ Better knowledge on shopping and viewing behavior has moved the focus from mass marketing to the individual. New information technologies enable firms to tailor their pricing, product line, advertising and promotion strategies to particular neighborhoods or even individuals. Database marketing gives companies an opportunity to enter into direct contact with their customers. Nestlé's strategy for its Buitoni pasta brand offers a good example of the power of database marketing in a pan-European context. In the United Kingdom, Nestlé built up a database of people who had requested a free recipe booklet. The next step was the launch of a Casa Buitoni Club. Members of the club receive a magazine and opportunities to win a trip for cooking instruction. The goal of the strategy is to build up a long-term commitment to the Buitoni brand.⁶¹ Likewise, in Malaysia Nestlé built up a database with information on consumption patterns, lifestyle, religion, race, and feelings about specific brands. By building up its database knowledge, Nestlé hopes to do a better job in target marketing and adapting its products to the local market.⁶²
- **Continuous monitoring of brand sales/market share movements.** Sales measurement based on scanner data are more accurate and timely than, for instance, data from store audits. In Japan, thousands of new products are launched continuously. Accurate tracking information on new brand shares and incumbent brand shares is crucial information for manufacturers and retailers alike.⁶³
- **Scanning data are used by manufacturers to support marketing decisions.** Initially, most scanning data were simply used as tracking devices. This has changed now. Scanning data are increasingly used for tactical decision support. The databases are used to assist all sorts of decisions in inventory management, consumer/trade promotions, pricing, shelf space allocation, and media advertising. Scanning data are also increasingly used for category management.
- **Scanning data are used to provide merchandising support to retailers.** Many manufacturers also employ information distilled from scanning data to help out retailers with merchandising programs (e.g., in-store displays). Such support helps to build up a long-term relationship with retailers. Scanning data help manufacturers to show the "hard facts" to their distributors.

⁵⁹http://www.nielsen.com/media/2008/pr_080221.html, accessed October 30, 2008.

⁶⁰David J. Curry, *The New Marketing Research Systems. How to Use Strategic Database Information for Better Marketing Decisions*, New York, NY: John Wiley & Sons, 1994.

⁶¹Stan Rapp and Thomas L. Collins, *Beyond Maxi-Marketing: The New Power of Caring and Sharing*, New York, NY: McGraw-Hill, 1994.

⁶²"Nestlé builds database in Asia with direct mail," *Ad Age International* (January 1998), p. 34.

⁶³H. Katahira and S. Yagi, "Marketing Information Technologies in Japan," p. 310.

Richer market information should help global marketers to improve marketing decisions that have cross-border ramifications. Scanning data from the pan-European region allows marketers to gauge the effectiveness of pan-European advertising campaigns, branding decisions, distribution strategies, and so forth. The information can also be used to monitor competitors' activities. With the emergence of consumer panel data, marketers are able to spot similarities and differences in cross-border consumer behavior. In short, the consequences of new market research systems are dramatic. Several environmental forces (e.g., single European market, cultural trends) promote the so-called "global village" or "flat world" phenomenon with a convergence in tastes, preferences leading to universal segments. On the other hand, the new information technologies will ultimately allow marketers to enter into one-to-one relationships with their individual customers.

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

State-of-the-art marketing research tools are also being developed to track the effectiveness of newer marketing mix media vehicles such as the Internet. For instance, the WebAudit is a package designed by ACNielsen Australia that allows subscribers to evaluate the performance of their website. Subscribers to the service receive information on user profiles by region, most requested pages, most downloaded files, and so on. The ultimate goal is to establish a "Nielsen rating" for websites similar to the ratings ACNielsen currently provides for television programming.⁶⁴

Advances in computer technology have also spurred new data collection techniques such as computer-assisted telephone interviewing (CATI) and computer-assisted personal interviewing (CAPI). Benefits derived from such tools include: speed, accuracy, and the ability to steer data collection based on the response. In international marketing research, another material advantage of these techniques is that they can be used to centrally administer and organize data collection from international samples.⁶⁵

MANAGING GLOBAL MARKETING RESEARCH



Global marketing research projects have to cater to the needs of various interest groups: global and regional headquarters, local subsidiaries. Different requirements will lead to tension among the stakeholders. In this section we center on two highly important issues in managing global marketing research: (1) who should conduct the research project, and (2) coordination of global marketing research projects.

Even companies with in-house expertise will often employ local research agencies to assist with a multicountry research project. The choice of a research agency to run a multicountry research project is made centrally by headquarters or locally by regional headquarters or country affiliates. Reliance on local research firms is an absolute must in countries such as China, both to be close to the market and to get around government red tape.⁶⁶ Local agencies may also have a network of contacts that give access to secondary data sources. Whatever the motive for using a local research agency, selection of an agency should be made based on careful scrutiny and screening of possible candidates. The first step is to see what sorts of research support services are

Selecting a Research Agency

⁶⁴"Benchmark standards for worldwide web sites," *AC Nielsen SRG News*, October 1996, p. 3.

⁶⁵C. Samuel Craig and Susan P. Douglas, "Conducting International Marketing Research."

⁶⁶H. C. Steele, "Marketing Research in China," p. 158.

available to conduct the research project. Each year *Marketing News* (an American Marketing Association publication) puts together a directory of international marketing research firms (www.marketingpower.com/ama_custom_honomichl25.php).

Several considerations enter the agency selection decision. Agencies that are partners or subsidiaries of global research firms are especially useful when there is a strong need for coordination of multicountry research efforts. The agency's level of expertise is the main ingredient in the screening process: What are the qualifications of its staff and its field-workers? The agency's track record is also a key factor: How long has it been in business? What types of research problems has it handled? What experience does the agency have in tackling a particular type of research problem(s)? For what clients has it worked? In some cases, it is worthwhile to contact previous or current clients and explore their feelings about the prospective research supplier.

When cross-border coordination is an issue, companies should also examine the willingness of the agency to be flexible and be a good team player. Communication skills are another important issue. When secrecy is required, it is necessary to examine whether the candidate has any possible conflicts of interest. Has the agency any ties with (potential) competitors? Does it have a good reputation in keeping matters confidential? Again, a background check with previous clients could provide the answer.

Cost is clearly a crucial input in the selection decision. Global research is usually much more expensive than research done in the United States.⁶⁷ The infrastructure available in the United States to do market research is far more economical than in most other parts of the world. However, there are other costs associated with global research that are not incurred with domestic research. Such cost items include the cost of multiple translations, multicountry coordination, and long-distance project management.

Quality standards can vary a lot. One golden rule needs to be observed though: Beware of agencies that promise the world at a bargain price. Inaccurate and misleading information will almost certainly lead to disastrous decisions.

Coordination of Multicountry Research

Multicountry research projects demand careful coordination of the research efforts undertaken in the different markets. The benefits of coordination are manifold.⁶⁸ Coordination facilitates cross-country comparison of results whenever such comparisons are crucial. It also can have benefits of timeliness, cost, centralization of communication and quality control. Coordination brings up two central issues: (1) who should do the coordinating? and (2) what should be the degree of coordination? In some cases, coordination is implemented by the research agency that is hired to run the project. When markets differ a lot or when researchers vary from country to country, the company itself will prefer to coordinate the project.⁶⁹

The degree of coordination centers on the conflicting demands of various users of marketing research: global (or regional) headquarters and local subsidiaries. Headquarters favor standardized data collection, sampling procedures, and survey instruments. Local user groups prefer country-customized research designs that recognize the peculiarities of their local environment. This conflict is referred to as the *emic versus etic dilemma*.⁷⁰ The **emic** school focuses on the peculiarities of each country. Attitudinal phenomena and values are so unique in each country that they can only be tapped via culture-specific measures. The other school of thought, the **etic** approach, emphasizes universal behavioral and attitudinal traits. To gauge such phenomena requires culturally unbiased measures. For instance, for many goods and services, there appears to be convergence in consumer preferences across cultures. Therefore, consumer preferences could be studied from an etic angle. Buying motivations behind those preferences,

⁶⁷Brad Frevert, "Is Global Research Different?" *Marketing Research* (Spring 2000), pp. 49–51.

⁶⁸D. N. Aldridge, "Multicountry Research," p. 361.

⁶⁹"Multicountry research: should you do your own coordinating?" *Industrial Marketing Digest*, pp. 79–82.

⁷⁰S. P. Douglas and C.S. Craig, *International Marketing Research*, pp. 132–37.

however, often differ substantially across cultures. Hence, a cross-country project that looks into buying motivations is likely to require an emic approach.⁷¹

In cross-cultural market research, the need for comparability favors the *etic paradigm* with an emphasis on the cross-border similarities and parallels. Nevertheless, to make the research study useful and acceptable to local users, companies need to recognize the peculiarities of local cultures. So, ideally, survey instruments that are developed for cross-country market research projects should encompass both approaches—emic *and* etic.⁷² There are several approaches to balance these conflicting demands. In a pan-European positioning study conducted for BMW, coordination was accomplished via the following measures:⁷³

1. All relevant parties (users at headquarters and local subsidiaries) were included from the outset in planning the research project.
2. All parties contributed in funding the study.
3. Hypotheses and objectives were deemed to be binding at later stages of the project.
4. Data collection went through two stages. First, responses to a country-specific pool of psychographic statements were collected. The final data collection in the second stage used a mostly standardized survey instrument containing a few statements that were country-customized (based on findings from the first run).

The key lessons of the BMW-example are twofold. First, *coordination* means that all parties (i.e., user groups) should get involved. Neglected parties will have little incentive to accept the results of the research project. Second, multicountry research should allow some leeway for country peculiarities. For instance, questionnaires should not be over standardized but may include some country-specific items. This is especially important for collecting so-called “soft” data (e.g., lifestyle/attitude statements).

⁷¹Malhotra, Agarwal, and Peterson, p. 12.

⁷²N. K. Malhotra, J. Agarwal, and M. Peterson, “Methodological issues,” p. 12.

⁷³H. Kern, H.-C. Wagner, and R. Hassis, “European Aspects of a Global Brand,” pp. 49–50.

SUMMARY

Whenever you drive to an unknown destination, you probably use a road map, ask for instructions to get there, and carefully examine the road signals. If not, you risk getting lost. By the same token, whenever you need to make marketing decisions in the global marketplace, market intelligence will guide you in these endeavors. Shoddy information invariably leads to shoddy decision-making; good information facilitates solid decision-making. In this day and age, having timely and adequate market intelligence also provides a competitive advantage. This does not mean that global marketers should do research at any cost. As always, examining the costs and the value added of having more information at each step is important. Usually it is not difficult to figure out the costs of gathering market intelligence. The hard part is the benefit component. Views on the benefits and role of market research sometimes differ between cultures. Global Perspective 6-3 highlights the peculiarities of Japanese firms’ approach to marketing research. What can marketers do to boost the payoffs of their global marketing research efforts? As always, there are no simple solutions.

The complexities of the global marketplace are stunning. They pose a continuous challenge to market researchers. Hurdles are faced in gathering secondary and primary data.

Not all challenges will be met successfully. Mistakes are easily made. One American toiletries manufacturer conducted its market research in (English-speaking) Toronto for a bar soap to be launched in (French-speaking) Québec. The whole venture became a sad soap opera with a tragic ending.⁷⁴

In this chapter we discussed the intricacies in developing and implementing a market research project in a cross-national setting. We also reviewed several techniques that prove useful to estimate the market size whenever few or only poor quality data are at your disposal.

To make cross-country comparisons meaningful, companies need to adequately manage and coordinate their market research projects with a global scope. Inputs from local users of the research are desirable for several reasons. When the locals feel that they were treated like stepchildren, it will be hard to “sell” the findings of the research project. As a result, getting their support for policies based on the study’s conclusions becomes a formidable task. Local feedback also becomes necessary to uncover country-specific peculiarities that cannot be tapped with over standardized measurement instruments.

⁷⁴Sandra Vandermerwe, “Colgate-Palmolive: Cleopatra,” Case Study, Lausanne: IMD, 1990.



GLOBAL PERSPECTIVE 6-3

HOW DOES JAPANESE MARKET RESEARCH DIFFER?

There is a philosophical difference in the role of marketing research between U.S./European and Japanese executives. Marketing researchers in the United States (and also to some extent within Europe) believe that various dimensions of consumer attitudes and behaviors can be measured with statistical tools. Japanese marketing researchers, however, believe that those tools are not sufficient enough to gauge the vagrant nature of consumer attitudes. As a result, Japanese marketing researchers rely far less on statistical techniques than their U.S. counterparts.

Toru Nishikawa, marketing manager at Hitachi, lists five reasons against “scientific” market research in the area of new product development:

1. Indifference of respondents. Careless random sampling leads to mistaken judgments, because some people are indifferent towards the product in question.
2. Absence of responsibility. The consumer is most sincere when spending, not when s/he is talking.
3. Conservative attitudes. Ordinary consumers are conservative and tend to react negatively to new product ideas.
4. Vanity. It is part of human nature to exaggerate and put on a good appearance.
5. Insufficient information. The research results depend on information about product characteristics given to survey participants.

Japanese firms prefer more down-to-earth methods of information gathering. Instead of administering surveys, Japanese market researchers will go into the field and observe how consumers use the product. For example, Toyota sent a group of engineers and designers to Southern California to observe how women get into and operate their cars. They found that women with long fingernails have trouble opening the door and handling various knobs on the dashboard. Consequently, Toyota altered some of their automobiles’ exterior and interior designs.

Hands-on market research does not negate the importance of conventional marketing research. In fact, scores of Japanese firms assign more people to information gathering and analysis than U.S. firms. What is unique about Japanese market research is that Japanese research teams include both product engineers and sales and marketing representatives. Engineers gain insights from talking with prospective customers as much as their marketing peers. They can directly incorporate user comments into product specifications.

Sources: Michael R. Czinkota and Masaaki Kotabe, “Product Development the Japanese Way,” *Journal of Business Strategy*, 11, Nov./Dec. 1990, pp. 31–36 and Johnny K. Johansson and Ikujiro Nonaka, *Relentless: The Japanese Way of Marketing*, New York, NY: Harper Business, 1996.

KEY TERMS

analogy method	courtesy bias	functional equivalence	social desirability bias
back-translation	emic	omnibus survey	translation equivalence
chain ratio method	etic	parallel translation	triangulate
conceptual equivalence	ethnographic research	scalar equivalence	

REVIEW QUESTIONS

1. What are the major benefits and limitations of omnibus surveys?
2. What is the notion of “triangulation” in global market research?
3. Discuss the major issues in running focus group discussions in an international context.
4. Discuss why market size estimates may differ depending on the method being used. How can such differences be reconciled?
5. Contrast the emic versus the etic approach in international marketing research.

DISCUSSION QUESTIONS

1. Chapter 6 suggests two ways to select countries for multi-country market research projects: (1) start with a preliminary research in each one of them or (2) cluster the countries and pick one representative member from each cluster. Under what circumstances would you prefer one option over the other?
2. Refer to Exhibit 6-9, which presents McDonald's market potential based on the formula given on page 211.
 - a. Using the same formula, estimate what McDonald's market potential would be for the following Pacific-Rim countries: India, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, and Thailand.
 - b. What factors are missing in the formula that McDonald's uses?
3. In most cases, standard data collection methods are still mail, phone, or personal interviewing. Tokyu Agency, Tokyo, a Japanese ad agency, has started using the Internet to find out how Japanese youngsters spend their money and what their views are on various issues (e.g., environment). What opportunities does the Internet offer as a data-gathering tool in international market research? What are its merits and disadvantages in this regard?
4. Company Euronappy sells disposable diapers in Europe. It would like to expand into the Middle East. After some preliminary market research, four countries put on the short list, namely: Bahrain, Kuwait, Saudi Arabia, and the United Arab Emirates (UAE). Given its limited resources, the company can only enter two of these countries. Your assignment is to come up with a market size estimate for each one of them so that Euronappy can decide which one to enter. You decide to run a regression using data from Euronappy's European market. Three variables are presumed to predict the sales of disposable diapers: population size, per capita GDP, and the birth rate. Data were collected on all three variables (source: <http://www.cia.gov/cia/publications/factbook/>) for the 19 European countries where Euronappy operates. However, the birth rate did not seem to be a factor. The estimated regression model is:

$$Y = -630.6 + 0.015 X_1 + 47.15 X_2$$

Y = annual sales of diapers in millions of units
 X_1 = population in thousands
 X_2 = per capita Gross Domestic Product (GDP–Purchasing Power Parity Basis) in thousands US\$.
5. Clarion Marketing and Communications, a Connecticut-based marketing research firm, recently launched Global Focus, a technique that allows companies to run focus groups in different countries that interact with each other. The focus groups are held in videoconference centers in the different cities (e.g., one in New York, one in London) with a moderator in each location. Do you see a need for “global focus groups”? Why? (or why not?) What are potential benefits? Concerns?
6. Imagine that Nokia plans to expand its market in South America. Use the chain-ratio method to come up with market size estimates for cellular phones in the following four countries: Argentina, Brazil, Chile, and Peru.
7. When developing a survey instrument for a cross-country study, market researchers often need to construct a scale (e.g., a 7-point disagree/agree scale). What are the major items that one should be concerned about when building such scales?
8. Download the Durex Global Sex Survey (GSS) (<http://www.durex.com/cm/gss2005results.asp>). The survey was conducted online via the [durex.com](http://www.durex.com) website. Durex claims that their survey is the largest sexual health research project of its kind in the world. More than 317,000 people took part from 41 countries.
 - a. What do you envision as the main challenges in developing and conducting a survey like the GSS?
 - b. The survey was conducted online. What are the key benefits of doing this online compared to more traditional survey methods? What are the possible drawbacks?
 - c. How would this survey benefit SSL, the British company that owns the Durex brand in formulating their marketing strategy (another big brand the company owns is the Scholl footwear brand)? Do you see other possible payoffs?

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