DECIDING WHICH MARKETS TO ENTER

Introduction to Part II

After considering the initial phase (Part I, The decision whether to internationalize) the structure of this part follows the process of selecting the ‘right’ international market. First of all, Chapter 5 presents the most important international marketing research tools for analysing the internal and external environment. Then the political and economic environment (Chapter 6) and the sociocultural environment (Chapter 7) are used as inputs to the process from which the output is the target market(s) that the firm should select as a basis for development of the international marketing mix (see Part IV). The structure of Part II is shown in Figure 1.
As Figure 1 shows, the research tools presented in Chapter 5, and the forces in Chapters 6 and 7, provide the environmental framework that is necessary for the following:

- the selection of the right market(s) [Chapter 8];
- the subsequent development of the global marketing mix.

The discussion following Chapters 6 and 7 will be limited to the major macro-environmental dimensions affecting market and buyer behaviour and thus the global marketing mix of the firm.
Global marketing research

Contents
5.1 Introduction
5.2 The changing role of the international researcher
5.3 Linking global marketing research to the decision-making process
5.4 Secondary research
5.5 Primary research
5.6 Online (internet) primary research methods
5.7 Other types of marketing research
5.8 Setting up an international MIS
5.9 Summary

Case studies
5.1 Teepack Spezialmaschinen GmbH
5.2 Tchibo
5.3 Video case study: Burke

Learning objectives
After studying this chapter you should be able to do the following:
- Explain the importance of having a carefully designed international information system.
- Link global marketing research to the decision-making process.
- Discuss the key problems in gathering and using international market data.
- Distinguish between different research approaches, data sources and data types.
- Discuss opportunities and problems with qualitative market research methods.
- Understand how online surveys are carried out.
- Understand the relevance of the World Wide Web as an important data source in global marketing research.

5.1 Introduction

Information is a key ingredient in the development of successful international marketing strategies. Lack of familiarity with customers, competitors and the market environment in other countries, coupled with the growing complexity and diversity of international markets makes it increasingly critical to collect information in relation to these markets.
Part II  Deciding which markets to enter

In contrast to a researcher concerned with only one country, an international market researcher has to deal with a number of countries that may differ considerably in a number of important ways. Therefore many international marketing decisions are concerned with priorities and allocation of resources between countries.

The prime function of global marketing is to make and sell what international buyers want, rather than simply selling whatever can be most easily made. Therefore what customers require must be assessed through marketing research and/or through establishing a decision support system, so that the firm can direct its marketing activities more effectively by fulfilling the requirements of the customers.

The term ‘marketing research’ refers to gathering, analysing and presenting information related to a well-defined problem. Hence the focus of marketing research is a specific problem or project with a beginning and an end.

Marketing research differs from a decision support system (DSS) or marketing information system (MIS), which is information gathered and analysed on a continual basis. In practice, marketing research and DSS/MIS are often hard to differentiate, so they will be used interchangeably in this context.

At the end of this chapter a proposal for setting up an international MIS will be presented.

5.2 The changing role of the international researcher

The role of international market research is primarily to act as an aid to the decision maker. It is a tool that can help to reduce the risk in decision making caused by the environmental uncertainties and lack of knowledge in international markets. It ensures that the manager bases a decision on the solid foundation of knowledge and focuses strategic thinking on the needs of the marketplace rather than the product.

Earlier marketing research was regarded as a staff function and not a line function. Marketing researchers had little interaction with marketing managers and did not participate in marketing decision making. Likewise, external providers of marketing research had little interaction with marketing managers. However, as we have moved into the new millennium this line of demarcation between marketing research and marketing, and thus the distinction between marketing researchers and marketing managers, is becoming thinner and thinner.

As the line and staff boundary blurs marketing managers are becoming increasingly more involved in marketing research. This trend towards making marketing research more of a line function, rather than a staff function, is likely to continue and even accelerate in the near future where ‘sense and respond’ will increasingly characterize firms’ approach to business. Thus the traditional marketing researcher in a commercial firm narrowly focused on the production of presentations and reports for management will become a rare breed. The transition of marketing researchers to researchers-cum-decision makers has already begun. Indeed some of the most effective researchers of customer satisfaction are not only participating in decision making but are also deployed as part of the team to implement organizational changes in response to customer satisfaction surveys.

The availability of better decision tools and decision support systems is facilitating the transition of research managers to decision makers. Senior managers can now directly access internal and external secondary data from computers and internet sites around the world.
In this millennium good marketing researchers will be good marketing managers, and vice versa.

### 5.3 Linking global marketing research to the decision-making process

Global marketing research should be linked to the decision-making process within the firm. The recognition that a situation requires action is the initiating factor in the decision-making process.

Even though most firms recognize the need for domestic marketing research this need is not fully understood for global marketing activities. Most SMEs conduct no international market research before they enter a foreign market. Often decisions concerning entry into and expansion in overseas markets and the selection and appointment of distributors are made after a subjective assessment of the situation. The research done is usually less rigorous, less formal and less quantitative than in LSEs. Furthermore, once an SME has entered a foreign market, it is likely to discontinue any research of that market. Many business executives therefore appear to view foreign market research as relatively unimportant.

A major reason that firms are reluctant to engage in global marketing research is a lack of sensitivity to cross-cultural customer tastes and preferences. What information should the global marketing research/DSS provide?

Table 5.1 summarizes the principal tasks of global marketing research, according to the major decision phases of the global marketing process. As can be seen, both internal (firm-specific) and external (market) data are needed. The role of a firm’s internal information system in providing data for marketing decisions is often forgotten.

How the different types of information affect the major decisions are thoroughly discussed in the different parts and chapters of this book. Besides the split between internal and external data, the two major sources of information are primary data and secondary data:

1. **Primary data.** These can be defined as information that is collected first-hand, generated by original research tailor-made to answer specific current research questions. The major advantage of primary data is that the information is specific (‘fine grained’), relevant and up to date. The disadvantages of primary data are, however, the high costs and amount of time associated with its collection.

2. **Secondary data.** These can be defined as information that has already been collected for other purposes and is thus readily available. The major disadvantage is that the data are often more general and ‘coarse grained’ in nature. The advantages of secondary data are the low costs and amount of time associated with its collection. For those who are unclear on the terminology, secondary research is frequently referred to as ‘desk research’.

The two basic forms of research (primary and secondary) will be discussed in further detail later in this chapter.

If we combine the split of internal/external data with primary/secondary data, it is possible to place data in four categories. In Figure 5.1 this approach is used to categorize indicator variables for answering the following marketing questions. Is there a market for the firm’s product A in country B? If yes, how large is it and what is the possible market share for the firm? Note that in Figure 5.1 only a limited number of
indicator variables are shown. Of course the one-market perspective in Figure 5.1 could be expanded, to cover not only country B (as in Figure 5.1) but a range of countries, e.g. the EU.

As a rule, no primary research should be done without first searching for relevant secondary information, and secondary data should be used whenever available and appropriate. Besides, secondary data often help to define problems and research objectives. In most cases, however, secondary sources cannot provide all the information needed and the company must collect primary data.

In Figure 5.1 the most difficult and costly kind of data to obtain is probably the strengths–weaknesses profile of the firm (internal and primary data). However, because it compares the profile of the firm with those of its main competitors, this quadrant is a very important indicator of the firm's international competitiveness. The following two sections discuss different forms of secondary and primary research.

With many international markets to consider it is essential that firms begin their market research by seeking and utilizing secondary data.
5.4 Secondary research

Advantages of secondary research in foreign markets

Secondary research conducted from the home base is less expensive and less time consuming than research conducted abroad. No contacts have to be made outside the home country, thus keeping commitment to possible future projects at a low level. Research undertaken in the home country about the foreign environment also has the benefit of objectivity. The researcher is not constrained by overseas customs. As a preliminary stage of a market-screening process secondary research can quickly generate background information to eliminate many countries from the scope of enquiries.

Disadvantages of secondary research in foreign markets

Problems with secondary research in foreign countries are as follows:

- *Non-availability of data.* In many developing countries secondary data are very scarce. These weak economies have poor statistical services – many do not even carry out a population census. Information on retail and wholesale trade is especially difficult to obtain. In such cases primary data collection becomes vital.
Part II  Deciding which markets to enter

- **Reliability of data.** Sometimes political considerations may affect the reliability of data. In some developing countries governments may enhance the information to paint a rosy picture of the economic life in the country. In addition, due to the data collection procedures used, or the personnel who gathered the data, many data lack statistical accuracy. As a practical matter, the following questions should be asked to judge effectively the reliability of data sources (Cateora, 1993, p. 346):
  - Who collected the data? Would there be any reason for purposely misrepresenting the facts?
  - For what purpose was the data collected?
  - How was the data collected (methodology)?
  - Are the data internally consistent and logical in the light of known data sources or market factors?

- **Data classification.** In many countries the data reported are too broadly classified for use at the micro level.

- **Comparability of data.** International marketers often like to compare data from different countries. Unfortunately the secondary data obtainable from different countries are not readily comparable because national definitions of statistical phenomena differ from one country to another. The term ‘supermarket’, for example, has a variety of meanings around the world. In Japan a supermarket is quite different from its UK counterpart. Japanese ‘supermarkets’ usually occupy two- or three-storey structures; they sell daily necessities such as foodstuff, but also clothing, furniture, electrical home appliances and sporting goods, and they have a restaurant.

  In general the availability and accuracy of recorded secondary data increase as the level of economic development increases. However, there are many exceptions: India is at a lower level of economic development than other countries but has accurate and complete development of government-collected data.

  Although the possibility of obtaining secondary data has increased dramatically the international community has grown increasingly sensitive to the issue of data privacy. Readily accessible, large-scale databases contain information valuable to marketers but considered privileged by the individuals who have provided the data. The international marketer must therefore also pay careful attention to the privacy laws in different nations and to the possible consumer response to using such data. Neglecting these concerns may result in research backfiring and the corporate position being weakened.

  In doing secondary research or building a decision support system there are many information sources available. Generally these secondary data sources can be divided into internal and external sources (Figure 5.1). The latter can be classified as either international/global or regional/country-based sources.

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**Internal data sources**

Internal company data can be a most fruitful source of information. However, it is often not utilized as fully as it should be.

The global marketing and sales departments are the main points of commercial interaction between an organization and its foreign customers. Consequently a great deal of information should be available, including the following:

- **Total sales.** Every company keeps a record of its total sales over a defined time period: for example, weekly records, monthly records and so on.
- **Sales by country.** Sales statistics should be split up by countries. This is partly to measure the progress and competence of the export manager or the salesperson (sometimes to influence earnings because commission may be paid on sales) and partly to measure the degree of market penetration in a particular country.


- **Sales by products.** Very few companies sell only one product. Most companies sell a range of products and keep records for each kind of product or, if the range is large, each product group.

- **Sales volume by market segment.** Such segmentation may be geographical or by type of industry. This will give an indication of segment trends in terms of whether they are static, declining or expanding.

- **Sales volume by type of channel distribution.** Where a company uses several different distribution channels it is possible to calculate the effectiveness and profitability of each type of channel. Such information allows marketing management to identify and develop promising channel opportunities, and results in more effective channel marketing.

- **Pricing information.** Historical information relating to price adjustments by product allows the organization to establish the effect of price changes on demand.

- **Communication mix information.** This includes historical data on the effects of advertising campaigns, sponsorship and direct mail on sales. Such information can act as a guide to the likely effectiveness of future communication expenditure plans.

- **Sales representatives’ records and reports.** Sales representatives should keep a visit card or file on every ‘live’ customer. In addition, sales representatives often send reports to the sales office on such matters as orders lost to competitors and possible reasons why, as well as on firms that are planning future purchasing decisions. Such information could help to bring improvements in marketing strategy.

### External data sources

A very basic method of finding international business information is to begin with a public library or a university library. The Internet can also help in the search for data sources. The Internet has made available thousands of databases for intelligence research (i.e. research on competitors). In addition, electronic databases carry marketing information ranging from the latest news on product development to new thoughts in the academic and trade press and updates in international trade statistics. However, the Internet will not totally replace other sources of secondary data. Cost compared to data quality will still be a factor influencing a company’s choice of secondary data sources.

### International/global sources (web addresses)

The links to the international data sources may be reached at [www.pearsoned.co.uk/hollensen](http://www.pearsoned.co.uk/hollensen).

### Secondary data used for estimation of foreign market potential

Secondary data are often used to estimate the size of potential foreign markets. In assessing current product demand and forecasting future demand reliable historical data are required. As previously mentioned, the quality and availability of secondary data are frequently inadequate. Nevertheless estimates of market size must be attempted in order to plan effectively. Despite limitations there are approaches to forecasting future demand in a market with a minimum of information. A number of techniques are available (see Craig and Douglas, 2000), but here only two are further explained: lead–lag analysis and estimation by analogy.
Part II  Deciding which markets to enter

Lead-lag analysis
This technique is based on the use of time-series data from one country to project sales in other countries. It assumes that the determinants of demand in the two countries are the same, and that only time separates them. This requires that the diffusion process and specifically the rate of diffusion is the same in all countries. Of course this is not always the case, and it seems that products introduced more recently diffuse more quickly (Craig and Douglas, 2000).

Figure 5.2 shows the principle behind the lead–lag analysis with an illustrative example in the DVD market. By the end of 2003 it is assumed that 55 per cent of the US households will have at least one DVD in their home, whereas it is assumed that ‘only’ 20 per cent of the Italian households will have a DVD. We define the time-lag between the American and the Italian DVD market as two years. So if we were to estimate the future penetration of DVDs in Italian households (and as a consequence also demand) we could make a parallel displacement of the S-formed US penetration curve by two years, as illustrated in Figure 5.2. This also shows how rapidly new products today are diffused from market to market. The difficulty in using the lead–lag analysis includes the problem of identifying the relevant time lag and the range of factors that impact future demand. However, the technique has considerable intuitive appeal to managers and is likely to guide some of their thinking.

When data are not available for a regular lead–lag analysis, estimation by analogy can be used.

Estimation by analogy
Estimation by analogy is essentially a single-factor index with a correlation value (between a factor and demand for a product) obtained in one country applied to a target international market. First a relationship (correlation) must be established between the demand to be estimated and the factor, which is to serve as the basis for the analogy. Once the known relationship is established the correlation value then attempts to draw an analogy between the known situation and the market demand in question.

Figure 5.2 Lead–lag analysis of penetration of DVDs (Digital Versatile Discs) in the USA and Italy (illustrative examples)
Example

We want to estimate the market demand for refrigerators in Germany. We know the market size in the United Kingdom but we do not know it in Germany.

As nearly all households in the two countries already have a refrigerator, a good correlation could be number of households or population size in the two countries. In this situation we choose to use population size as the basis for the analogy:

Population size in the United Kingdom: 60 million
Population size in Germany: 82 million
Furthermore we know that the number of refrigerators sold in the United Kingdom in 2002 was 1.1 million units.
Then by analogy we estimate the sales to be the following in Germany:

\[(82/60) \times 1.1 \text{ million units} = 1.5 \text{ million units}\]

A note of caution

Generally caution must be used with ‘estimation by analogy’ because the method assumes that factors other than the correlation factor used (in this example population size) are similar in both countries, such as the same culture, buying power of consumers, tastes, taxes, prices, selling methods, availability of products, consumption patterns and so forth. Despite the apparent drawbacks to analogy it is useful where international data are limited.

5.5 Primary research

Qualitative and quantitative research

If a marketer’s research questions are not adequately answered by secondary research it may be necessary to search for additional information in primary data. These data can be collected by qualitative research and quantitative research. Quantitative and qualitative techniques can be distinguished by the fact that quantitative techniques involve getting data from a large, representative group of respondents.

The objective of qualitative research techniques is to give a holistic view of the research problem, and therefore these techniques must have a large number of variables and few respondents (illustrated in Figure 5.3). Choosing between quantitative...
Part II  Deciding which markets to enter

Table 5.2  Quantitative versus qualitative research

<table>
<thead>
<tr>
<th>Comparison dimension</th>
<th>Quantitative research (e.g. a postal questionnaire)</th>
<th>Qualitative research (e.g. a focus group interview or the case method)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective</td>
<td>To quantify the data and generalize the results from the sample to the population of interest.</td>
<td>To gain an initial and qualitative understanding of the underlying reasons and motives.</td>
</tr>
<tr>
<td>Type of research</td>
<td>Descriptive and/or casual</td>
<td>Exploratory</td>
</tr>
<tr>
<td>Flexibility in research design</td>
<td>Low (as a result of a standardized and structured questionnaire: one-way communication)</td>
<td>High (as a result of the personal interview, where the interviewer can change questions during the interview: two-way communication)</td>
</tr>
<tr>
<td>Sample size</td>
<td>Large</td>
<td>Small</td>
</tr>
<tr>
<td>Choice of respondents</td>
<td>Representative sample of the population</td>
<td>Persons with considerable knowledge of the problem (key informants)</td>
</tr>
<tr>
<td>Information per respondent</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Data analysis</td>
<td>Statistical summary</td>
<td>Subjective, interpretative</td>
</tr>
<tr>
<td>Ability to replicate with same result</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Interviewer requirements</td>
<td>No special skills required</td>
<td>Special skills required (an understanding of the interaction between interviewer and respondent)</td>
</tr>
<tr>
<td>Time consumption during the research</td>
<td>Design phase: high (formulation of questions must be correct)</td>
<td>Design phase: low (no 'exact' questions are required before the interview)</td>
</tr>
<tr>
<td></td>
<td>Analysis phase: low (the answers to the questions can be coded)</td>
<td>Analysis phase: high (as a result of many 'soft' data)</td>
</tr>
</tbody>
</table>

and qualitative techniques is a question of trading off breadth and depth in the results of the analysis.

Other differences between the two research methodologies are summarized in Table 5.2. Data retrieval and analysis of quantitative respondent data are based on a comparison of data between all respondents. This places heavy demands on the measuring instrument (the questionnaire), which must be well structured (with different answering categories) and tested before the survey takes place. All respondents are given identical stimuli: that is, the same questions. This approach will not usually give any problems, as long as the respondent group is homogeneous. However, if it is a heterogeneous group of respondents it is possible that the same question will be understood in different ways. This problem becomes especially intensified in cross-cultural surveys.

Data retrieval and analysis of qualitative data, however, are characterized by a high degree of flexibility and adaptation to the individual respondent and his or her special background. Another considerable difference between qualitative and quantitative surveys is the source of data:

- **Quantitative techniques** are characterized by a certain degree of distance as the construction of the questionnaire, data retrieval and data analysis take place in separate phases. Data retrieval is often done by people who have not had anything to do with the construction of the questionnaire. Here the measuring instrument (the questionnaire) is the critical element in the research process.

- **Qualitative techniques** are characterized by proximity to the source of data, where data retrieval and analysis are done by the same person, namely, the interviewer. Data retrieval is characterized by interaction between the interviewer and the respondent, where each new question is to a certain degree dependent on the
previous question. Here it is the interviewer and his or her competence (or lack of the same) which is the critical element in the research process.

Qualitative techniques imply a less sharp separation between data retrieval and analysis/interpretation, since data retrieval (e.g. the next question in a personal interview) will be dependent on the interviewer’s interpretation of the previous answer. The researcher’s personal experience from fieldwork (data retrieval) is generally a considerable input into the analysis phase. In the following section the two most important qualitative research methods are presented.

**Triangulation: mixing qualitative and quantitative research methods**

Quantitative and qualitative research methods often complement each other. Combined use of quantitative and qualitative research methods in the study of the same phenomenon is termed triangulation (Denzin, 1978; Jick, 1979). The triangulation metaphor is from navigation and military strategy, which use multiple reference points to locate an object’s exact position. Similarly, market researchers can improve the accuracy and validity of their judgements by collecting both quantitative and qualitative data. Sometimes qualitative research methods explain or reinforce quantitative findings and even reveal new information.

Sometimes it is relevant to use qualitative data collected by, for example, in-depth interview of a few key informants as exploratory input to the construction of the best possible questionnaire for the collection of quantitative data. In this way triangulation can enrich our understanding of a research question before a structured and formalized questionnaire is designed.

**Research design**

Figure 5.4 shows that designing research for primary data collection calls for a number of decisions on research approaches, contact methods, sampling plan and research instruments. The following pages will look at the various elements of Figure 5.4 in further detail.

**Research problem/objectives**

Companies are increasingly recognizing the need for primary international research. As the extent of a firm’s international involvement increases, so does the importance and complexity of its international research. The primary research process should begin with a definition of the research problem and the establishment of specific objectives. The major difficulty here is translating the business problem into a research problem with a set of specific researchable objectives. In this initial stage researchers often embark on the research process with only a vague grasp of the total problem. Symptoms are often mistaken for causes, and action determined by symptoms may be oriented in the wrong direction.

Research objectives may include obtaining detailed information for better penetrating the market, for designing and fine-tuning the marketing mix, or for monitoring the political climate of a country so that the firm can expand its operations successfully. The better defined the research objective is, the better the researcher will be able to determine the information requirement.

**Research approaches**

In Figure 5.4 three possible research approaches are indicated: observation, surveys and experiments.
Observation

This approach to the generation of primary data is based on watching and sometimes recording market-related behaviour. Observational techniques are more suited to investigating what people do than why they do it. Here are some examples of this approach:

- Store checks: a food products manufacturer sends researchers into supermarkets to find out the prices of competing brands or how much shelf space and display support retailers give its brands. To conduct in-store research in Europe, for example, store checks, photo audits of shelves and store interviews must be scheduled well in advance and need to be preceded by a full round of introductions of the researchers to store management and personnel.
- Mechanical observations are often used to measure TV viewership.
- Cash register scanners can be used to keep track of customer purchases and inventories.

Observational research can obtain information that people are unwilling or unable to provide. In some countries individuals may be reluctant to discuss personal habits or consumption. In such cases observation is the only way to obtain the necessary information. In contrast, some things are simply not observable, such as feelings, attitudes and motives, or private behaviour. Long-term or infrequent behaviour is also difficult to observe. Because of these limitations, researchers often use observation along with other data collection methods.
Experiments

Experiments gather casual information. They involve selecting matched groups of subjects, giving them different treatments, controlling unrelated factors and checking for differences in group responses. Thus experimental research tries to explain cause-and-effect relationships.

The most used marketing research application of experiments is in test marketing. This is a research technique in which a product under study is placed on sale in one or more selected localities or areas, and its reception by consumers and the trade is observed, recorded and analysed. In order to isolate, for example, the sales effects of advertising campaigns, it is necessary to use relatively self-contained marketing areas as test markets.

Performance in these test markets gives some indication of the performance to be expected when the product goes into general distribution. However, experiments are difficult to implement in global marketing research. The researcher faces the task of designing an experiment in which most variables are held constant or are comparable across cultures. To do so represents a major challenge. For example, an experiment that intends to determine a casual effect within the distribution system of one country may be difficult to transfer to another country where the distribution system is different. As a result experiments are used only rarely, even though their potential value to the international market researcher is recognized.

Surveys

The survey research method is based on the questioning of respondents and represents, both in volume and in value terms, perhaps the most important method of collecting data. Typically the questioning is structured: a formal questionnaire is prepared and the questions are asked in a prearranged order. The questions may be asked verbally, in writing or via a computer.

Survey research is used for a variety of marketing issues, including the following:

- customer attitudes;
- customer buying habits;
- potential market size;
- market trends.

Unlike experimental research, survey research is usually aimed at generating descriptive rather than casual data. Unlike observational research, survey research usually involves the respondent.

Because of the importance and diversity of survey research in global marketing, it is on this particular aspect that we now concentrate.

Contact methods

The method of contact chosen is usually a balance between speed, degree of accuracy and costs. In principle there are three possibilities when choosing a contact method: personal (face-to-face) interviews, telephone interviews and mail surveys. Each method has its own strengths and weaknesses. Table 5.3 gives an overview of these.

Mail

Mail surveys are among the least expensive. The questionnaire can include pictures – something that is not possible over the phone. Mail surveys allow the respondent to answer at their leisure, rather than at the often inconvenient moment they are contacted for a phone or personal interview. For this reason, they are not considered as intrusive as other kinds of interviews. However, mail surveys take longer than other
Part II  Deciding which markets to enter

kinds. You will need to wait several weeks after mailing out questionnaires before you can be sure that you have obtained most of the responses. In countries of lower educational and literacy levels, response rates to mail surveys are often too small to be useful.

Internet/e-mail surveys

These can collect a large amount of data that can be quantified and coded into a computer. A low research budget combined with a widely dispersed population may mean that there is no alternative to the mail/internet survey. E-mail surveys are both very economical and very fast. It is possible to attach pictures and sound files. However, many people dislike unsolicited e-mail even more than unsolicited regular mail. Furthermore, it is difficult to generalize findings from an e-mail survey to the whole population. People who have e-mail are different from those who do not, even when matched on demographic characteristics, such as age and gender.

Telephone interviews

In some ways these are somewhere between personal and mail surveys. They generally have a response rate higher than mail questionnaires but lower than face-to-face interviews, their cost is usually less than with personal interviews, and they allow a degree of flexibility when interviewing. However, the use of visual aids is not possible and there are limits to the number of questions that can be asked before respondents either terminate the interview or give quick (invalid) answers to speed up the process. With computer-aided telephone interviewing (CATI), centrally located interviewers read questions from a computer monitor and input answers via the keyboard. Routing through the questionnaire is computer controlled, helping the process of interviewing. Some research firms set up terminals in shopping centres, where respondents sit down at a terminal, read questions from a screen and type their answers into the computer.

Personal interviews

Personal interviews take two forms – individual and group interviewing. Individual interviewing involves talking with people in their homes or offices, in the street or in shopping arcades. The interviewer must gain the cooperation of the respondents. Group interviewing (focus-group interviewing) consists of inviting six to ten people to gather for a few hours with a trained moderator to talk about a product, service or

<table>
<thead>
<tr>
<th>Questions/questionnaire</th>
<th>Mail</th>
<th>Internet/e-mail</th>
<th>Telephone</th>
<th>Personal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexibility (ability to clarify problems)</td>
<td>Poor</td>
<td>Fair</td>
<td>Good</td>
<td>Excellent</td>
</tr>
<tr>
<td>Possibility of in-depth information</td>
<td>Fair</td>
<td>Poor</td>
<td>Fair</td>
<td>Excellent</td>
</tr>
<tr>
<td>(use of open-ended questions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use of visual aids</td>
<td>Good</td>
<td>Excellent</td>
<td>Poor</td>
<td>Good</td>
</tr>
<tr>
<td>Possibility of a widely dispersed sample</td>
<td>Excellent</td>
<td>Excellent</td>
<td>Excellent</td>
<td>Fair</td>
</tr>
<tr>
<td>Response rates</td>
<td>Poor</td>
<td>Fair</td>
<td>Good</td>
<td>Fair</td>
</tr>
<tr>
<td>Asking sensitive questions</td>
<td>Good</td>
<td>Poor</td>
<td>Poor</td>
<td>Fair</td>
</tr>
<tr>
<td>Control of interviewer effects</td>
<td>Excellent</td>
<td>Fair</td>
<td>Fair</td>
<td>Poor</td>
</tr>
<tr>
<td>(no interviewer bias)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Speed of data collection</td>
<td>Poor</td>
<td>Excellent</td>
<td>Excellent</td>
<td>Good</td>
</tr>
<tr>
<td>Costs</td>
<td>Good</td>
<td>Excellent</td>
<td>Excellent</td>
<td>Poor</td>
</tr>
</tbody>
</table>

Table 5.3 Strengths and weaknesses of the three contact methods
organization. The moderator needs objectivity, knowledge of the subject and industry, and some understanding of group and consumer behaviour. The participants are normally paid a small sum for attending.

Personal interviewing is quite flexible and can collect large amounts of information. Trained interviewers can hold a respondent’s attention for a long time and can explain difficult questions. They can guide interviews, explore issues and probe as the situation requires. Interviewers can show subjects actual products, advertisements or packages, and observe reactions and behaviour.

The main drawbacks of personal interviewing are the high costs and sampling problems. Group interview studies usually employ small sample sizes to keep time and costs down, but it may be hard to generalize from the results. Because interviewers have more freedom in personal interviews the problem of interviewer bias is greater.

Thus there is no ‘best’ contact method – it all depends on the situation. Sometimes it may even be appropriate to combine the methods.

Sampling plan

Except in very restricted markets it is both impractical and too expensive for a researcher to contact all the people who could have some relevance to the research problem. This total number is known statistically as the ‘universe’ or ‘population’. In marketing terms, it comprises the total number of actual and potential users/customers of a particular product or service.

The population can also be defined in terms of elements and sampling units. Suppose that a lipstick manufacturer wants to assess consumer response to a new line of lipsticks and wants to sample females over 15 years of age. It may be possible to sample females of this age directly, in which case a sampling unit would be the same as an element. Alternatively, households might be sampled and all females over 15 in each selected household interviewed. Here the sampling unit is the household, and the element is a female over 15 years old.

What is usually done in practice is to contact a selected group of consumers/customers to be representative of the entire population. The total number of consumers who could be interviewed is known as the ‘sample frame’, while the number of people who are actually interviewed is known as the ‘sample’.

Sampling procedure

There are several kinds of sampling procedure, with probability and non-probability sampling being the two major categories:

- **Probability sampling.** Here it is possible to specify in advance the chance that each element in the population will have of being included in a sample, although there is not necessarily an equal probability for each element. Examples are simple random sampling, systematic sampling, stratified sampling and cluster sampling (see Malhotra (1993) for more information).

- **Non-probability sampling.** Here it is not possible to determine the above-mentioned probability or to estimate the sampling error. These procedures rely on the personal judgement of the researcher. Examples are convenience sampling, quota sampling and snowball sampling (see Malhotra (1993) for more information).

Given the disadvantages of non-probability samples (results are not projectable to the total population, and sampling error cannot be computed) one may wonder why they are used so frequently by marketing researchers. The reasons relate to the inherent advantages of non-probability sampling:
Part II  Deciding which markets to enter

- Non-probability samples cost less than probability samples.
- If accuracy is not critical non-probability sampling may have considerable appeal.
- Non-probability sampling can be conducted more quickly than probability sampling.
- Non-probability sampling, if executed properly, can produce samples of the population that are reasonably representative (e.g. by use of quota sampling) (Malhotra, 1993, p. 359).

Sample size

Once we have chosen the sampling procedure the next step is to determine the appropriate sample size. Determining the sample size is a complex decision and involves financial, statistical and managerial considerations. Other things being equal the larger the sample, the less the sampling error. However, larger samples cost more money, and the resources (money and time) available for a particular research project are always limited.

In addition the cost of larger samples tends to increase on a linear basis, whereas the level of sampling error decreases at a rate only equal to the square root of the relative increase in sample size. For example, if sample size is quadrupled data collection costs will be quadrupled too, but the level of sampling error will be reduced by only one-half. Among the methods for determining the sample size are the following:

- **Traditional statistical techniques** (assuming the standard normal distribution).
- **Budget available.** Although seemingly unscientific this is a fact of life in a business environment, based on the budgeting of financial resources. This approach forces the researcher to consider carefully the value of information in relation to its cost.
- **Rules of thumb.** The justification for a specified sample size may boil down to a ‘gut feeling’ that this is an appropriate sample size, or it may be a result of common practice in the particular industry.
- **Number of subgroups to be analysed.** Generally speaking the more subgroups that need to be analysed, the larger the required total sample size.

In transnational market research, sampling procedures become a rather complicated matter. Ideally a researcher wants to use the same sampling method for all countries in order to maintain consistency. Sampling desirability, however, often gives way to practicality and flexibility. Sampling procedures may have to vary across countries in order to ensure reasonable comparability of national groups. Thus the relevance of a sampling method depends on whether it will yield a sample that is representative of a target group in a certain country, and on whether comparable samples can be obtained from similar groups in different countries.

Contact medium/measurement instrument

**Designing the questionnaire**

A good questionnaire cannot be designed until the precise information requirements are known. It is the vehicle whereby the research objectives are translated into specific questions. The type of information sought, and the type of respondents to be researched, will have a bearing upon the contact method to be used, and this in turn will influence whether the questionnaire is relatively unstructured (with open-ended questions), aimed at depth interviewing, or relatively structured (with closed-ended questions) for ‘on the street’ interviews.

In cross-cultural studies open-ended questions appear useful because they may help to identify the frame of reference of the respondents. Another issue is the choice between direct and indirect questions. Societies have different degrees of sensitivity to
certain questions. Questions related to the income or age of the respondent may be accepted differently in different countries. Thus the researcher must be sure that the questions are culturally acceptable. This may mean that questions, which can be asked directly in some societies, will have to be asked indirectly in others.

**Formulation (wording) of questions**

Once the researcher has decided on specific types of questions the next task is the actual writing of the questions. Four general guidelines are useful to bear in mind during the wording and sequencing of each question:

- **The wording must be clear.** For example, try to avoid two questions in one.
- **Select words so as to avoid biasing the respondent.** For example, try to avoid leading questions.
- **Consider the ability of the respondent to answer the question.** For example, asking respondents about a brand or store that they have never encountered creates a problem. Since respondents may be forgetful, time periods should be relatively short. For example: ‘Did you purchase one or more cola(s) within the last week?’
- **Consider the willingness of the respondent to answer the question.** ‘Embarrassing’ topics that deal with things such as borrowing money, sexual activities and criminal records must be dealt with carefully. One technique is to ask the question in the third person or to state that the behaviour or attitude is not unusual prior to asking the question. For example: ‘Millions of people suffer from hemorrhoids. Do you or does any member of your family suffer from this problem?’ It is also a feasible solution to ask about ‘embarrassing’ topics at the end of the interview.

The impact of language and culture is of particular importance when wording questions. The goal for the global marketing researcher should be to ensure that the potential for misunderstandings and misinterpretations of spoken or written words is minimized. Both language and cultural differences make this issue an extremely sensitive one in the global marketing research process.

In many countries different languages are spoken in different areas. In Switzerland German is used in some areas and French and Italian in others. And the meaning of words often differs from country to country. For example, in the United States the concept of ‘family’ generally refers only to the parents and children. In the southern part of Europe, the Middle East and many Latin countries it may also include grandparents, uncles, aunts, cousins and so forth.

When finally evaluating the questionnaire, the following items should be considered:

- Is a certain question necessary? The phrase ‘It would be nice to know’ is often heard, but each question should either serve a purpose or be omitted.
- Is the questionnaire too long?
- Will the questions achieve the survey objectives?

**Pretesting**

No matter how comfortable and experienced the researcher is in international research activities, an instrument should always be pretested. Ideally such a pretest is carried out with a subset of the population under study, but a pretest should at least be conducted with knowledgeable experts and/or individuals. The pretest should also be conducted in the same mode as the final interview. If the study is to be ‘on the street’ or in the shopping arcade, then the pretest should be the same. Even though a pretest may mean time delays and additional cost the risks of poor research are simply too great for this process to be omitted.
Data collection
The global marketing researcher must check that the data are gathered correctly, efficiently and at a reasonable cost. The market researcher has to establish the parameters under which the research is conducted. Without clear instructions the interviews may be conducted in different ways by different interviewers. Therefore the interviewers have to be instructed about the nature of the study, start and completion time, and sampling methodology. Sometimes a sample interview is included with detailed information on probing and quotas. Spot checks on these administration procedures are vital to ensure reasonable data quality.

Data analysis and interpretation
Once data have been collected the final steps are the analysis and interpretation of findings in the light of the stated problem. Analysing data from cross-country studies calls for substantial creativity as well as skepticism. Not only are data often limited, but frequently results are significantly influenced by cultural differences. This suggests that there is a need for properly trained local personnel to function as supervisors and interviewers; alternatively international market researchers require substantial advice from knowledgeable local research firms that can also take care of the actual collection of data. Although data in cross-country analyses are often of a qualitative nature the researcher should, of course, use the best and most appropriate tools available for analysis. On the other hand, international researchers should be cautioned against using overly sophisticated tools for unsophisticated data. Even the best of tools will not improve data quality. The quality of data must be matched with the quality of the research tools.

Problems with using primary research
Most problems in collecting primary data in international marketing research stem from cultural differences among countries, and range from the inability of respondents to communicate their opinions to inadequacies in questionnaire translation (Cateora et al., 2000).

Sampling in field surveys
The greatest problem of sampling stems from the lack of adequate demographic data and available lists from which to draw meaningful samples. For example, in many South American and Asian cities street maps are unavailable, and streets are neither identified nor houses numbered. In Saudi Arabia, the difficulties with probability sampling is so acute that non-probabilistic sampling becomes a necessary evil. Some of the problems in drawing a random sample include:

- no officially recognized census of population;
- incomplete and out-of-date telephone directories;
- no accurate maps of population centres, therefore no area samples can be made.

Furthermore, door-to-door interviewing in Saudi Arabia is illegal.

Non-response
Non-response is the inability to reach selected elements in the sample frame. As a result opinions of some sample elements are not obtained or properly represented. A good sampling method can only identify elements who should be selected; there is no guarantee that such elements will ever be included.
The two main reasons for non-response errors are as follows:

1. **Not being at home.** In countries where males are still dominant in the labour force it may be difficult to contact a head of household at home during working hours. Frequently only housewives or servants are at home during the day.

2. **Refusal to respond.** Cultural habits in many countries virtually prohibit communication with a stranger, particularly for women. This is the case in the Middle East, much of the Mediterranean area and throughout most of South-East Asia – in fact wherever strong traditional societies persist. Moreover, in many societies such matters as preferences for hygienic products and food products are too personal to be shared with an outsider. For example, in many Latin American countries a woman may feel ashamed to talk with a researcher about her choice of brand of sanitary towel, or even hair shampoo or perfume. Respondents may also suspect that the interviewers are agents of the government, seeking information for the imposition of additional taxes. Finally, privacy is becoming a big issue in many countries: for example, in Japan the middle class is showing increasing concern about the protection of personal information.

**Language barriers**

This problem area includes the difficulty of exact translation that creates problems in eliciting the specific information desired and in interpreting the respondents’ answers.

In some developing countries with low literacy rates written questionnaires are completely useless. Within some countries the problem of dialects and different languages can make a national questionnaire survey impractical – this is the case in India, which has 25 official languages.

The obvious solution of having questionnaires prepared or reviewed by someone fluent in the language of the country is frequently overlooked. In order to find possible translation errors marketers can use the technique of back translation, where the questionnaire is translated from one language to another, and then back again into the original language. For example, if a questionnaire survey is going to be made in France, the English version is translated into French and then translated back to English by a different translator. The two English versions are then compared and, where there are differences, the translation is checked thoroughly.

**Measurement**

The best research design is useless without proper measurements. A measurement method that works satisfactorily in one culture may fail to achieve the intended purpose in another country. Special care must therefore be taken to ensure the **reliability** and **validity** of the measurement method.

In general, ‘how’ you measure refers to reliability and ‘what’ you measure refers to validity.

If we measure the same phenomenon over and over again with the same measurement device and we get similar results then the method is reliable. There are three types of validity: construct, internal and external.

- **Construct validity** establishes correct operational measures for the concepts being studied. If a measurement method lacks construct validity it is not measuring what it is supposed to.
- **Internal validity** establishes a causal relationship, whereby certain conditions are shown to lead to other conditions.
External validity is concerned with the possible generalization of research results to other populations. For example, high external validity exists if research results obtained for a marketing problem in one country will be applicable to a similar marketing problem in another country. If such a relationship exists it may be relevant to use the analogy method for estimating market demand in different countries. Estimating by analogy assumes, for example, that the demand for a product develops in much the same way in countries that are similar.

The concepts of reliability and validity are illustrated in Figure 5.5. In the figure, the bull’s eye is what the measurement device is supposed to ‘hit’.

Situation 1 shows holes all over the target, which could be due to the use of a bad measurement device. If a measurement instrument is not reliable there are no circumstances under which it can be valid. However, just because an instrument is reliable, the instrument is not automatically valid. We see this in situation 2, where the instrument is reliable but is not measuring what it is supposed to measure. The shooter has a steady eye, but the sights are not adjusted properly. Situation 3 is the ideal situation for the researcher to be in. The measurement method is both reliable and valid.

An instrument proven to be reliable and valid in one country may not be so in another culture. The same measurement scales may have different reliabilities in different cultures because of various levels of consumers’ product knowledge. Therefore it may be dangerous simply to compare results in cross-country research. One way to minimize the problem is to adapt measurement scales to local cultures by pretesting measures in each market of interest until they show similar and satisfactory levels of reliability.

However, as different methods may have varying reliabilities in different countries, it is essential that these differences can be taken into account in the design of a multicultural survey. Thus, a mail survey could be most appropriate to use in country A and personal interviews in country B. In collecting data from different countries it is more important to use techniques with equivalent levels of reliability than to use the same techniques across countries.

Figure 5.5 Illustrations of possible reliability and validity situations in measurement

Online (internet) primary research methods

Although the Internet is still confined to the boundaries of the personal computer screen this will soon be a thing of the past; it is now clear that the Internet is definitely going to be a medium for the masses. Many researchers are amazed at how efficiently surveys can be conducted, tabulated and analysed on the Web. Additionally, online data collection lets marketers use complex study designs once considered either too expensive or too cumbersome to execute via traditional means. While initial forays were fraught with technical difficulties and methodological hurdles recent developments have begun to expose the medium’s immense potential.

The earliest online tools offered little more than the ability to deploy paper-based questionnaires to internet users. Today, however, online tools and services are available with a wide range of features at a wide range of prices.

For the international market researcher the major advantages and disadvantages of online surveys are the following (Grossnickle and Raskin, 2001).

Advantages of online surveys

- **Low financial resource implications**: The scale of the online survey is not associated with finance, i.e. large-scale surveys do not require greater financial resources than small surveys. Expenses related to self-administered postal surveys are usually in the form of outward and return postage, photocopying, etc., none of which is associated with online surveys.

- **Short response time**: Online surveys allow questionnaires to be delivered instantly to their recipients, irrespective of their geographical location. Fast survey execution allows for most interviews to be completed within a week or so.

- **Saving time with data collection and analysis**: The respective questionnaire can be programmed so that responses can feed automatically into the data analysis software (SPSS, SAS, Excel, etc.), thus saving time and resources associated with data entry process. Furthermore, this avoids associated data transcription errors.

- **Visual stimuli can be evaluated, unlike CATI.**

Disadvantages of online surveys

- **Respondents have no physical addresses**: The major advantage of postal over online surveys is that respondents have physical addresses, whereas yet not everyone has an electronic address. Especially is this an international marketing research problem in geographical areas where the penetration of the Internet is not as high as in Europe and North America. For cross-country surveys the multimode approach (i.e. a combination of online and postal survey) compensates for the misrepresentation of the general population.

- **Guarding respondents’ anonymity**: Traditional mail surveys have advantages in guarding respondents’ anonymity. Sensitive issues, which may prevent respondents from giving sincere answers, should be addressed via the post rather than online.

- **Time necessary to download pages**: Problems may arise with older browsers, which failed to properly display HTML questionnaires, with the appearance of the questionnaires in different browsers (Internet Explorer, Netscape).
Part II Deciding which markets to enter

Online quantitative market research (e-mail and web-based surveys)
Online surveys can be conducted through e-mail or they can be posted on the Web and the URL provided (a password is optional depending on the nature of the research) to the respondents who have already been approached. When a wide audience is targeted the survey can be designed as a pop-up survey, which would appear as a web-based questionnaire in a browser window while users are browsing the respective websites. Such a web-based survey is appropriate for a wide audience, where all the visitors to certain websites have an equal chance to enter the survey.

However, the researcher’s control over respondents entering the web-based surveys is lower than for e-mail surveys. One advantage of web-based surveys is the better display of the questionnaire, whereas e-mail software still suffers from certain limitations in terms of design tools and offering interactive and clear presentation. However, these two modes of survey may be mixed, combining the advantages of each (Ilieva et al., 2002).

Online qualitative market research
There are many interesting opportunities to conduct international qualitative market research quickly and at relatively low cost, without too much travelling involved (Scholl et al., 2002).

- Saving money on travelling costs, etc: Many qualitative researchers often have to travel to countries in which research is conducted, briefing local moderators and viewing some groups or holding interviews to get a grasp of the local habits and attitudes. This leads to high travelling costs and increases the time needed to execute the fieldwork. It usually takes one or two weeks to recruit the respondents, and one or two weeks before the analysis can start. In online research the respondents can be recruited and interviewed from any computer anywhere in the world. Nearly everyone who is connected to the Internet knows how to use chat rooms and they speak English. Fieldwork may start two days after briefing, and the analysis may start right after the last interview on the basis of complete and accurate transcripts, with each comment linked to the respective respondent.

- Cross-country qualitative research: International online research is particularly interesting for multinational companies that sell their products on a global scale and are afraid to build the global marketing strategy on research which has been conducted in only a few of these countries. Online qualitative research could serve as an additional multicountry check. This is not intended to give insight into the psychology of customers but rather to check whether other countries or cultures may add to the general picture, which has been made on the basis of qualitative face-to-face research.

One of the limitations with, for example, online focus groups is that they seem to generate less interaction between members than the face-to-face groups. Discussions between respondents occur, but they are less clear and coherent.

5.7 Other types of marketing research
A distinction is made between ad hoc and continuous research.

Ad hoc research
An ad hoc study focuses on a specific marketing problem and collects data at one point in time from one sample of respondents. Examples of ad hoc studies are usage
and attitude surveys, and product and concept tests via custom-designed or multiclient
studies. More general marketing problems (e.g. total market estimates for product
groups) may be examined by using Delphi studies (see below).

Custom-designed studies
These are based on the specific needs of the client. The research design is based on the
research brief given to the marketing research agency or internal marketing researcher.
Because they are tailor-made such surveys can be expensive.

Multiclient studies
These are a relatively low-cost way for a company to answer specific questions without
embarking on its own primary research. There are two types of multiclient study:

1 Independent research studies. These are carried out totally independently by research
companies (e.g. Frost and Sullivan) and then offered for sale.

2 Omnibus studies. Here a research agency will target specified segments in a particu-
lar foreign market and companies will buy questions in the survey. Consequently
interviews (usually face to face or by telephone) may cover many topics. Clients will
then receive an analysis of the questions purchased. For omnibus studies to be of use
the researcher must have clearly defined research needs and a corresponding target
segment in order to obtain meaningful information.

Delphi studies
This type of research approach clearly aims at qualitative rather than quantitative
measures by aggregating the information of a group of experts. It seeks to obtain
answers from those who possess particular in-depth expertise instead of seeking the
average responses of many with only limited knowledge.

The area of concern may be future developments in the international trading
environment or long-term forecasts for market penetration of new products. Typically
10–30 key informants are selected and asked to identify the major issues in the area of
concern. They are also requested to rank their statements according to importance and
explain the rationale behind the ranking. Next the aggregated information is returned
to all participants, who are encouraged to state clearly their agreements or disagree-
ments with the various rank orders and comments. Statements can be challenged
and then, in another round, participants can respond to the challenges. After several
rounds of challenge and response a reasonably coherent consensus is developed.

One drawback of the technique is that it requires several steps, and therefore
months may elapse before the information is obtained. However the emergence of
e-mail may accelerate the process. If done properly the Delphi method can provide
insightful forecast data for the international information system of the firm.

Continuous research (longitudinal designs)
A longitudinal design differs from ad hoc research in that the sample or panel remains
the same over time. In this way a longitudinal study provides a series of pictures that
give an in-depth view of developments taking place. The panel consists of a sample of
respondents who have agreed to provide information at specified intervals over an
extended period.

There are two major types of panel:

- Consumer panels. These provide information on their purchases over time. For
example, a grocery panel would record the brands, pack sizes, prices and stores used
for a wide range of supermarket brands. By using the same households over a period of time measures of brand loyalty and switching can be achieved, together with a demographic profile of the type of person or household who buys particular brands.

- **Retailer panels.** By gaining the cooperation of retail outlets (e.g. supermarkets) sales of brands can be measured by laser scanning the bar codes on goods as they pass through the checkout. Although brand loyalty and switching cannot be measured in this way retail audits can provide accurate assessments of sales achieved by store. A major provider of retail data is the A.C. Nielsen Company.

### Sales forecasting

A company can forecast its sales either by forecasting the market sales (called *market forecasting*) and then determining what share of this will accrue to the company or by forecasting the company’s sales directly. Techniques for doing this are dealt with later in the chapter. The point is that planners are only interested in forecasts when the forecast comes down to individual products in the company.

We shall now examine the applicability and usefulness of the short-, medium- and long-term forecasts in so far as company planners are concerned and shall then look at each from individual company departmental viewpoints.

- **Short-term forecasts.** These are usually for periods up to three months ahead, and as such are really of use for tactical matters such as production planning. The general trend of sales is less important here than short-term fluctuations.

- **Medium-term forecasts.** These have direct implications for planners. They are of most importance in the area of business budgeting, the starting point for which is the sales forecast. Thus if the sales forecast is incorrect the entire budget is incorrect. If the forecast is over-optimistic then the company will have unsold stocks, which must be financed out of working capital. If the forecast is pessimistic then the firm may miss out on marketing opportunities because it is not geared up to produce the extra goods required by the market. More to the point is that when forecasting is left to accountants they will tend to err on the conservative side and will produce a forecast that is less than actual sales, the implications of which have just been described. This serves to re-emphasise the point that sales forecasting is the responsibility of the sales manager. Such medium-term forecasts are normally for one year ahead.

- **Long-term forecasts.** These are usually for periods of three years or more depending on the type of industry being considered. In industries such as computers three years is considered long term, whereas for steel manufacture ten years is a long-term horizon. Long-term forecasts are worked out from macro-environmental factors such as government policy, economic trends, etc. Such forecasts are needed mainly by financial accountants for long-term resource implications, but such matters of course are boards of directors’ concerns. The board must decide what its policy is to be in establishing the levels of production needed to meet the forecast demand; such decisions might mean the construction of a new factory and the training of a workforce. Forecasts can be produced for different horizons, starting at an international level and then ranging down to national levels, by industry and then by company levels until we reach individual product-by-product forecasts. This is then broken down seasonally over the time span of the forecasting period, and geographically right down to individual salesperson areas. It is these latter levels that are of specific interest to sales management, or it is from this level of forecasting that the sales budgeting and remuneration system stems.

Figure 5.6 shows an example of trend forecasting.
The unit sales and trend are drawn in as in Figure 5.6. The trend line is extended by sight (and it is here that the forecaster’s skill and intuition must come in). The deviations from trend are then applied to the trend line, and this provides the sales forecast.

In this particular example it can be seen that the trend line has been extended slowly upwards, similar to previous years. The technique, as with many similar techniques, suffers from the fact that downturns and upturns cannot be predicted, and such data must be subjectively entered by the forecaster through manipulation of the extension to the trend line.

**Scenario planning**

**Scenarios** are stories about plausible alternative futures (Wright, 2005). They differ from forecasts in that they explore possible futures rather than predict a single point future. Figure 5.7 shows two different scenarios – A and B – where the outcome – measured on two dimensions – is influenced by both **convergent** and **divergent forces**.

Figure 5.7 shows that the diverging and converging factors have to be balanced. Time flows from the left to the right. The courses of the scenarios pass through a number of time windows, each made up of the key dimensions the scenario writers want to highlight. In Figure 5.7 two ‘time windows’ are shown: One in two years from now and another one in five years from now. The two dimensions could be e.g. ‘worldwide market share’ and ‘worldwide market growth’ for one of the company’s main products. The ‘convergent forces’ would mean that Scenario A and B would come nearer to each other over time. The ‘divergent forces’ would have the opposite effect.

Examples of **convergent** forces would be:

- high degree of macroeconomic stability in key international markets;
- increasing standardization of products across borders.

An example of a **divergent** force would be ‘cultural diversity’ among target markets.

Scenario planning allows us to consider a range of ‘alternative futures’, each of which is dramatically different from the other and from the current operating environment. Rather than rely on a single ‘most likely’ forecast it is possible to compare and contrast alternative opinions on how your industry may evolve.
Part II  Deciding which markets to enter

Figure 5.7 Development of scenarios A and B over time

Since it is externally oriented scenario planning is very effective at identifying growth strategies for the company as well as potential threats to its market position. Scenarios can also help to identify the specific external industry changes that are causing falling market share or margins.

Guidelines for scenario planning

- Establish a core planning team. Analysing the strategic implications of scenarios is best done in teams. The creative dynamics of an effective group are likely to provide the types of breakthrough that will make the scenario process worthwhile. What seems obvious to one person will be surprising to another. A good rule of thumb is to have five to eight people in the planning group.
- Get a cross-section of expertise. Include the heads of all functional areas – sales, marketing, operations, purchasing, information technology, personnel, etc. We also recommend including individuals beyond the top executives. This injects new perspectives on your company or your line of trade. This is a great time to involve the rising stars and innovative thinkers in the organization.
- Include outside information and outside people. Focus on injecting interesting and challenging perspectives into the discussion. In a group composed solely of insiders it will be hard to achieve breakthrough insights. Outsiders may be customers, suppliers or consultants. If possible, involve an executive from another line of trade or even from outside wholesale distribution. However, many executives feel uncomfortable letting outsiders participate in the planning process of their companies.

5.8 Setting up an international MIS

Once research has been conducted, the data collected and analysed, the next step is to incorporate this information into management decision making. More and more businesses are now concerned with increasing the productivity of their marketing efforts, especially in their marketing research departments.
A massive amount of data is available from a wide variety of sources. The trick is to transform that data, ranging from statistics and facts to opinions and predictions, into information that is useful to the organization’s marketing decision makers. The importance of a timely and comprehensive information system is becoming more evident with the increased need to develop closer customer relationships, the increasing costs of making wrong marketing decisions, the greater complexity of the marketplace, and the elevated level of competitor aggressiveness. The need for current and relevant knowledge may result in the development and implementation of information systems that incorporate data management procedures involving generating new data or gathering existing data, storing and retrieving data, processing data into useful information, and disseminating information to those individuals who need it. The international marketing information system is an interacting organization of people, systems, and processes devised to create a regular, continuous and orderly flow of information essential to the marketer’s problem-solving and decision-making activities around the world.

In this rather complete international MIS model, input data flow into the system from three major sources: the micro-environment, the macro-environment and from functional areas of the firm. The output information will then be made available to management for analysis, planning, implementation and control purposes. The proposed model meets the exigencies of the ever-expanding role of the MIS professional that has to provide timely, accurate and objective information for management to be able to navigate its way through the complex and fast-changing world of business globalization. Against the backdrop of a dynamic business environment, companies are increasingly developing their marketing information systems to provide managers...
with real-time market information. Likewise, they are expanding from local to national
to global operations while consumers are becoming ever more selective in their prod-
uct choices.

5.9 Summary

The basic objective of the global marketing research function is to provide manage-
ment with relevant information for more accurate decision making. The objective is
the same for both domestic and global marketing. However, global marketing is
more complex because of the difficulty of gathering information about multiple and
different foreign environments.

In this chapter, special attention has been given to the information collection
process and the use of marketing information. This coverage is far from being exhaus-
tive, and the reader should consult marketing research textbooks for specific details
related to particular research topics.

An international marketer should initiate research by searching first for any relevant
secondary data. Typically a great deal of information is already available, and the
researcher needs to know how to identify and locate the international sources of
secondary data.

If it is necessary to gather primary data the international marketer should be aware
that it is simply not possible to replicate elsewhere the methodology used in one coun-
try. Some adaptation of the research method to different countries is usually necessary.

The firm should set up a decision support system or an international market informa-
tion system (MIS) to handle the gathered information efficiently. This system
should integrate all information inputs, both internal and external. In addition, an
international MIS can support managers in their marketing decision making by pro-
viding interlinkage and integration between functional departments or international
divisions. However, in the final analysis, every international marketer should keep in
mind that an information system is no substitute for sound judgement.

Teepack Spezialmaschinen GmbH: Organizing a global survey of customer satisfaction

Teepack (www.teepack.com) is a specialized manu-
facturer of tea bag machines for the world’s best-
known brands of tea and herbs and fruit teas, such as
Lipton, Pickwick, Twinings and Lyons/Tetley.

Teepack is a sister company of Teekanne, the
leading tea, herb, and fruit tea packing company
in Germany, with the Teefix, Pompadour and
Teekanne brands. (The Teekanne Group has pro-
duction and sales subsidiaries in several countries.
There are about 1,300 employees in the Group).

The invention of the automatic tea bag-packaging
machine by Teepack in 1949 revolutionized the
tea market with the double-chamber tea bag. It
meant that production volumes could be increased
dramatically. Today the latest generation of these
machines is capable of production speeds of
almost 400 tea bags per minute, i.e. some 4 billion
per year.

The tea bag produced on Teepack machines is the
most sold double-chamber tea bag in the world.
Important benefits are that it has considerably larger
space between the two bag chambers and offers
maximum tea bag stability and durability without
adding glue or heat sealing.
The popularity of this practical tea bag has continued to grow, for example, in Germany 82 per cent of tea sales are in double-chamber tea bags; in the United States the figure is about 90 per cent and in Europe, if you omit the United Kingdom, the figure is close to 100 per cent. Even in the former UK colony, Australia, the double-chamber tea bag has almost convinced the consumers. ‘Down under’, sales of UK tea bags and the double-chamber tea bag more or less balance themselves out.

For over 50 years Teepack GmbH has been the number one producer of double-chamber tea bag packaging machines in the world and has sold more than 2,000 of its packaging machine ‘Constanta’. Thanks to Teepack’s packaging machines Lipton is the market leader of the international tea market. Up to 1957 Teepack had sold more than 100 tea bag packaging machines in the United States.

Technical innovation resulted in Teepack engineers developing a new, even more efficient machine – ‘Perfecta’. Since 1990 more than 200 ‘Perfecta’ machines have been sold worldwide.

Today Teepack has a market share of about 70 per cent of the global double chamber tea bag machine market.

Questions

(Please visit www.teepack.com before you answer the questions.)

1. How would you forecast worldwide demand for tea bag machines?
2. Argue the case for the market analysis method you would choose if you had to evaluate the competitiveness of Teepack Spezialmaschinen on the global tea bag packaging machine market.
3. In order to achieve better customer feedback, the top management of Teepack is interested in learning how to measure customer satisfaction. Propose a questionnaire design that contains some of the themes which it would be relevant to include in the questionnaire.
4. How would you organise the internal database with the customers’ responses and the feedback of the questionnaire results to the customers?

Tchibo Frisch-Röst-Kaffee GmbH (Hamburg, Germany) was founded in 1949 by Max Herz. Tchibo was originally set up as a mail order company. At that time Tchibo sent coffee by post. The original mail-order coffee company has grown into a multinational enterprise, active in many more sectors than just traditional coffee retailing. For example, at the end of 2003 Tchibo was one of the top two online shops in Germany.

The first Tchibo specialist coffee shop with coffee counter service opened in Hamburg in 1955. The idea was that customers would have the chance to try the coffee before they bought a whole packet. This idea has been consistently developed ever since.

The retailing concept typical of Tchibo combines sales of roasted coffee with counter sales of coffee specialities, surrounded by an attractive merchandise world that changes every week.

Table 1 shows the Tchibo coffee shops in Europe. Tchibo is market leader in the German, Austrian, Czech, Hungarian and Polish household roasted coffee market with its coffee brands Tchibo, Gala von Eduscho and local brands. This success is partly based on the systematic development of a business
Part II  Deciding which markets to enter

‘system’, which combines Tchibo roasted coffee and coffee bar sales with a rich variety of innovative consumer merchandise and services. The number of Tchibo Coffee shops is now around 800. In comparison, Starbucks has around 8,500 coffee shops in 37 countries. The product range in the Tchibo coffee business system is being developed on a continual basis and expanded by offering innovative weekly changing new products. Tchibo’s uniqueness is emphasized by the fact that not all products are offered at the same time but that the assortment changes 52 times a year. The motto ‘A new experience every week’ enables Tchibo to surprise its customers every Wednesday with introduction of a new theme, made of around 25 products.

In the United Kingdom, Tchibo has successfully opened about 100 coffee shops mainly in the Greater London area.

Questions
Tchibo is planning to expand its business system in the United Kingdom. However, in order to develop the right promotion to the right customer group, Tchibo asks you as an international marketing consultant to answer the following questions.

1. Which market analysis should be made in the United Kingdom in order to target the right promotion campaign to the right customer group?
2. How would you estimate the potential market for coffee shops (in general) in Europe?
3. How will you use market analysis methods for estimating the possible European market share of Tchibo coffee shops?

Table 1  Tchibo Coffee shops in Europe in 2005

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of coffee shops</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>around 450</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>around 100</td>
</tr>
<tr>
<td>Switzerland</td>
<td>around 50</td>
</tr>
<tr>
<td>Austria</td>
<td>around 200</td>
</tr>
<tr>
<td>Poland</td>
<td>around 50</td>
</tr>
<tr>
<td>Total</td>
<td>around 800</td>
</tr>
</tbody>
</table>

Source: Tchibo and other public sources.

Burke Inc. ([www.burke.com](http://www.burke.com)), based in Cincinnati, was founded in 1931 and has been employee-owned since 1989. Burke is an independent, full-service marketing research and decision-support company, which offers a broad range of decision-support services for marketing, operations, and quality and human resources, through acquiring, integrating, analyzing and applying knowledge across the entire business enterprise.

Questions
1. What are the key stages of the marketing research process and how does Burke relate to each?
2. Why is ‘defining the research problem’ a crucial part of the research process?
3. Approximately 70% of Burke’s data collection is done through telephone surveys. What is your opinion of the future of this research methodology?
4. How is marketing research done in an international environment different from national marketing research?

For further exercises and cases, see this book’s website at [www.pearsoned.co.uk/hollensen](http://www.pearsoned.co.uk/hollensen)
Questions for discussion

1. Explore the reasons for using a marketing information system in the international market. What are the main types of information you would expect to use?

2. What are some of the problems that a global marketing manager can expect to encounter when creating a centralized marketing information system? How can these problems be solved?

3. What are the dangers of translating questionnaires (which have been designed for one country) for use in a multicountry study? How would you avoid these dangers?

4. Identify and classify the major groups of factors that must be taken into account when conducting a foreign market assessment.

5. A US manufacturer of shoes is interested in estimating the potential attractiveness of China for its products. Identify and discuss the sources and the types of data that the company will need in order to obtain a preliminary estimate.

6. Identify and discuss the major considerations in deciding whether research should be centralized or decentralized.

7. Distinguish between internal and external validity. What are the implications of external validity for international marketers?

8. Would Tokyo be a good test market for a new brand planned to be marketed worldwide? Why or why not?

9. If you had a contract to conduct marketing research in Saudi Arabia what problems would you expect in obtaining primary data?

10. Do demographic variables have universal meanings? Is there a chance that they may be interpreted differently in different cultures?

11. In forecasting sales in international markets, to what extent can the past be used to predict the future?

12. How should the firm decide whether to gather its own intelligence or to buy it from outside?

References

Part II  Deciding which markets to enter