

5.4: Segmentation of International Markets

Learning Objectives

By the end of this section, you will be able to

- Describe the challenges of segmenting international markets.
- Discuss the advantages of segmenting international markets.
- Explain methods of segmenting international markets.

Challenges of Segmenting International Markets

As we've outlined in this chapter, companies can't be all things to all people because buyers differ in needs, wants, and demands. Accordingly, just as with consumer markets and B2B markets, companies typically find it necessary to segment international markets.

That's not to say that segmenting international markets is easy; rather, the reverse is true: it adds a whole new set of complications, including differences in cultural, economic, and political environments in various countries. Additionally, because of those cultural, economic, and political differences, consumers in international markets tend to be more diverse in character than domestic markets. Moreover, the range of income levels and populations and the diversity of lifestyles in international markets tend to be significantly greater than in the domestic market (Wind & Bell, 2008). Accordingly, a single marketing strategy for all segments is questionable at best.

Advantages of Segmenting International Markets

The advantages of segmenting international markets aren't all that different from the advantages of segmenting the consumer or B2B markets, but there are some subtle differences. A marketer in the United States may have a much easier time understanding the needs and wants of U.S. consumers, but that may not be the case with international consumers. Segmenting the international market and conducting market research allows the marketer to better understand international customers. It also enables the marketer to identify similarities and differences across international markets, which may lead them to combine segments across countries or regions (Wind & Bell, 2008).

Methods of Segmenting International Markets

There are four primary methods of segmenting international markets, as shown in Figure 5.8.

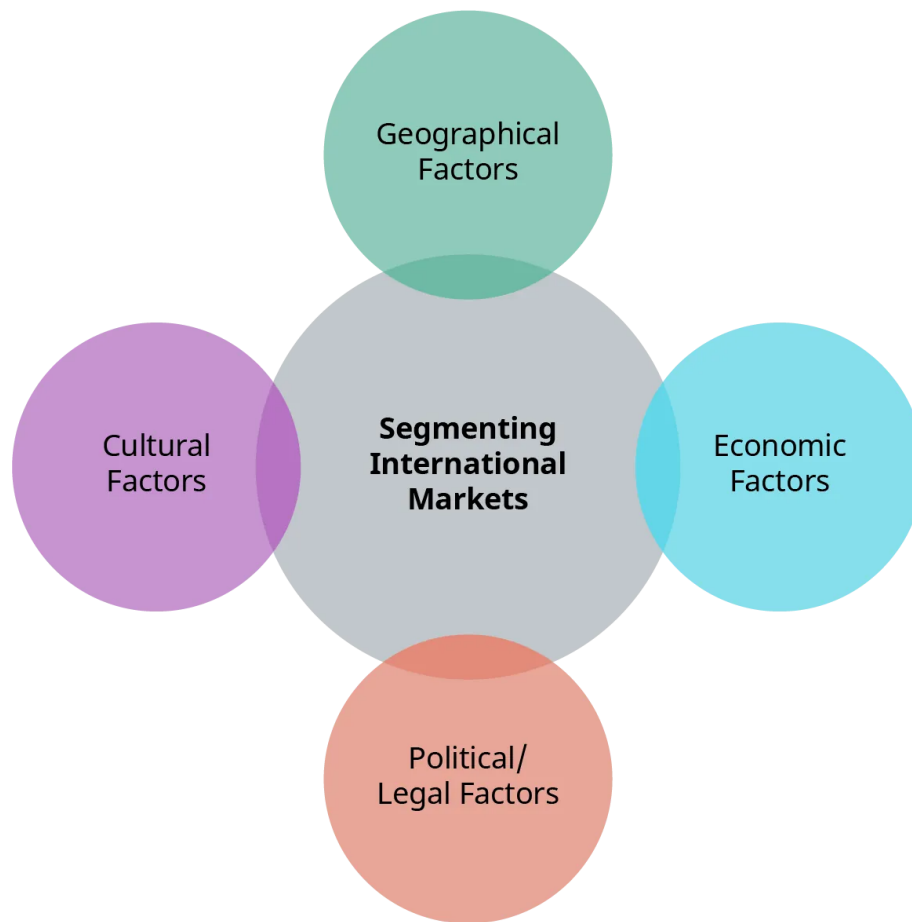


Figure 5.8 Segmenting International Markets (CC BY 4.0; Rice University & OpenStax)

Geographic Segmentation

Just as with domestic markets, international markets can be segmented geographically. A company might segment by regions, such as Western Europe, the Middle East, Africa, Latin America, etc. Keep in mind, however, that although geographic segmentation groups countries by location, they may be very different from one another in other respects. Consider, for example, the countries in Western Europe. You'll find that, both culturally and economically, the United Kingdom and Scotland are very similar, but both differ significantly from neighboring Ireland (Fillmore, 2023). Similarly, people in West Africa tend to share similarities in dress, cuisine, and music, but these characteristics aren't shared extensively with groups outside West Africa (Jerry, 2014).

In terms of geographic segmentation, marketers also need to consider the country's infrastructure—the nation's basic physical systems, such as roads, sewage treatment, communication, water treatment, electricity, etc. You may have the best product for the consumers in the international market segment, but if the infrastructure is such that you can't reasonably get the products to the consumers, that represents a restraining force that limits the opportunity.

Although the project is controversial, China has invested billions of dollars to strengthen its economy and global trade through its Belt and Road Initiative (BRI), a vast network of railways, energy pipelines, and highways through six economic corridors, both westward through former Soviet republics and southward to Pakistan, India, and Southeast Asia. To expand maritime trade traffic, China is investing in port development along the Indian Ocean, from Southeast Asia to East Africa and parts of Europe. The BRI spans a multitude of infrastructure projects intended to promote the flow of goods and foreign investment and is expected to impact more than 80 countries (Varma, 2018).

Segmentation Based on Political and Legal Factors

As you've seen from our discussion of segmenting consumer markets, it's often based on factors such as age, gender, product usage, and personality. That's true as well in international markets, but the marketer needs to add yet another dimension: country characteristics. These characteristics are typically political and legal factors, such as the type and stability of the government, how receptive the government is to foreign firms, monetary regulations, and the nation's complexity and bureaucracy (Hahu Zone, 2024). Numerous other governmental policies can also interfere with international trade, such as tariffs (taxes imposed on imports), import quotas, currency controls, and local content requirements.

In 2022, in response to Russia's invasion of Ukraine, major sanctions were put in place against Russia by the United States, the European Union, and the United Kingdom. For example, the United Kingdom imposed a 35% tax on some Russian imports, and several international companies such as McDonald's, Coca-Cola, Starbucks, and Marks & Spencer have either suspended operations in Russia or have withdrawn altogether. It doesn't take much to imagine the financial impact these sanctions have had on Russia (BBC, 2024).

Segmentation Based on Economic Factors

Yet another way to segment markets internationally is based on economic factors—the level of economic development and the income levels of the population. This is often differentiated based on whether the country is developing, developed, or underdeveloped. This classification is based on the nation's economic status (i.e., gross domestic product, gross national product, per capita income, degree of industrialization, and standard of living).

Developed countries typically have a high rate of industrialization and a relatively high level of individual income. Unemployment and poverty are typically low in developed nations, and citizens enjoy a relatively high standard of living and higher life expectancy (BBC, 2024). Companies will likely focus their international marketing efforts in developed nations. According to the United Nations, in 2020, 36 countries were classified as developed; interestingly enough, all of these countries were located in either North America, Europe, or "Developed Asia and Pacific" (The Investopedia Team, 2023).

Developing countries, on the other hand, have a lower standard of living, a lower per capita income, and a slow rate of industrialization. Unemployment and poverty tend to be relatively high compared with developed countries, as are infant mortality rates (The Investopedia Team, 2023). The United Nations categorized 126 countries as developing, and all of these were located in either Africa, Asia, Latin America, or the Caribbean (The Investopedia Team, 2023).

Underdeveloped countries are less developed economically than most other nations. These countries typically have little industry, and the standard of living is considerably lower than in developed or developing countries. Infrastructure may also be compromised in terms of roads, sewage treatment, water quality, etc. As a general rule, although there may be an attractive market for your company's product or service in an underdeveloped country, the challenges of getting the product into the customer's hands are often difficult to overcome.

Segmentation Based on Cultural Factors

Cultural factors, such as common language, religions, values, and attitudes, can also be used to segment a country or region. McDonald's uses a "think global, act local" strategy to help meet the cultural needs of various market segments. On one hand, it offers a standardized menu of offerings worldwide, such as McNuggets and the McFlurry. On the other hand, it customizes other offerings on its menu to adapt to the cultural requirements of consumers. For example, in India, to appeal to vegetarian and non-beef-eating customers, McDonald's introduced the Maharaja Mac, made with a corn and cheese patty. The company also used the term "Maharaja" to appeal to India's history and liking of royalty and called it the "Social Burger" to suggest that it can be eaten quickly, giving people more time to spend with friends (Arianna & Virginia, 2021).

McDonald's not only customizes its menu based on where it operates, but it also customizes its digital and TV advertisements depending on each country and consumer segment. For example, in Singapore, McDonald's ads attempted to appeal to consumers' love of nightlife by showing how McDonald's can enhance a night out. In contrast, in the United Kingdom, the company created cartoon ads focusing on Happy Meals to attract the large segment of children in the UK (Arianna & Virginia, 2021).

Not to be outdone by McDonald's, Burger King also offers a wide variety of international menu items that aren't available in the United States. Did you know that there's a Spicy Shrimp Whopper available in Japan and a SufganiKing (Donut Burger) in Israel? In Norway, where there is one sauna for every two people, Burger King opened a fully operational spa, complete with a 15-person sauna and media lounge where customers can enjoy their meals (Burke, 2019).

One model that is particularly useful in assessing culture is social psychologist Geert Hofstede's cultural dimensions, originally published in the 1970s. Hofstede had studied IBM employees in over 50 countries and identified five dimensions that could be used to distinguish one culture from another (Mind Tools, 2022). Four of these dimensions directly affect marketing in different cultures:

- **Power Distance Index (PDI).** This dimension refers to how much power inequality exists within a culture and the degree to which people are accepting of this inequality. A high PDI score suggests that society accepts unequal power distribution, whereas a low PDI score means that power is shared and widely dispersed. If you're curious, the United States has a moderately low PDI score of 40 on a scale of 1 to 100, compared with a world average of 55 (International Business Center, 2022). This means that the United States is less accepting of hierarchy and authority than nations such as Malaysia, which has the highest power distance index in the world (Sweetman, 2012). This cultural dimension plays an important role in marketing because, in countries where there is a high-power distance index, marketers need to appeal to the leadership or the head of the family, whereas in low-power-distance index countries, it's more important to reach a broad range of "ordinary" people who will be the ultimate decision-makers.
- **Individualism versus Collectivism (IDV).** This dimension refers to whether the culture emphasizes the needs and goals of the group as a whole or whether individual needs are paramount (Cheery, 2022). Think of individualism and collectivism as an "I" versus a "we" orientation. An individualistic society emphasizes attaining personal goals, whereas a collectivist culture emphasizes group goals and the group's well-being. The United States has a very high individualism score of 91, compared with many Latin American countries, such as Ecuador and Guatemala, which have single-digit individualism scores (Clearly Cultural, 2024). The implications for marketing are important here because, for countries with high individualism, the marketing messages should emphasize how your products or services benefit them individually, such as by saving time and rewarding themselves. On the other hand, in countries with a low individualism ranking, it's more important to stress how buying your company's products will benefit the community as a whole.
- **Uncertainty Avoidance (UAI).** This dimension refers to the degree to which a society avoids risk or ambiguity. Societies with high uncertainty avoidance compensate for this uncertainty by establishing rules, policies, and procedures, whereas societies with low uncertainty avoidance more readily accept change. The UAI for the United States is 46, which puts it in the moderate range compared with European nations such as Italy (UAI of 75) and Poland (UAI of 93) (Mind Tools, 2022). Let's consider how this affects marketing. Cultures with high uncertainty avoidance generally prefer to have product characteristics clearly spelled out, complete with product warranties and money-back guarantees. For example, if you want to market automobiles in that type of culture, it would be important to focus on the car's safety features. Conversely, cultures with low uncertainty avoidance are more accepting of trying something new.
- **Masculinity/Femininity (MAS).** This dimension refers to the degree to which gender-specific roles are valued in a given society: are "masculine" values such as achievement, ambition, and acquisition valued more than "feminine" values such as quality of life and service to others? In countries with a high masculinity ranking (e.g., Japan), men are intended to lead; women are supposed to follow. This is in direct contrast to countries with a low masculinity ranking (such as the United States and Canada), where women are treated equally to men and gender roles are more fluid. Societies with low masculinity tend to respond negatively to gender-oriented promotion, so a neutral approach that appeals to both men and women would be more

appropriate (Markgraf, 2024). Consider how many brands in the United States focus on female empowerment and positive body image. That type of advertising would not appeal to a society with a masculine orientation.

Knowledge Check

It's time to check your knowledge on the concepts presented in this section. Refer to the Answer Key at the end of the book for feedback.

1.

The Hofstede cultural dimension that assesses the degree to which a society avoids risk or ambiguity is known as _____.

- a. masculinity/femininity
- b. uncertainty avoidance
- c. power distance index
- d. individualism versus collectivism

2.

Jamal's company is looking to expand into a market in West Africa, but Jamal wants to ensure that there are roads, bridges, nearby airports, and shipping terminals from which to distribute the product. Jamal is examining the country's _____.

- a. infrastructure
- b. governmental stability
- c. inflation and unemployment rates
- d. culture

3.

Alexis is making a sales presentation in Japan, and she suddenly realizes that she is the only woman in the meeting. This suggests that Japan has a high _____.

- a. degree of uncertainty avoidance
- b. individualism ranking
- c. power distance index
- d. masculinity ranking

4.

Jose's firm is looking to market its products in Venezuela, but the marketing department is concerned about the country's current inflation rate. This would be considered a(n) _____ factor.

- a. geographic
- b. political
- c. economic
- d. cultural

5.

Which Hofstede cultural dimension assesses the degree to which gender-specific roles are valued in a society?

- a. Power distance index
- b. Masculinity/femininity
- c. Uncertainty avoidance
- d. Individualism versus collectivism

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