



Near East University

INTERNATIONAL MARKETING

MARK 402

Understanding Local Customers

SESSION 7

Rana Serdaroglu

Source: Malhotra and Birks, et al. Chp 7

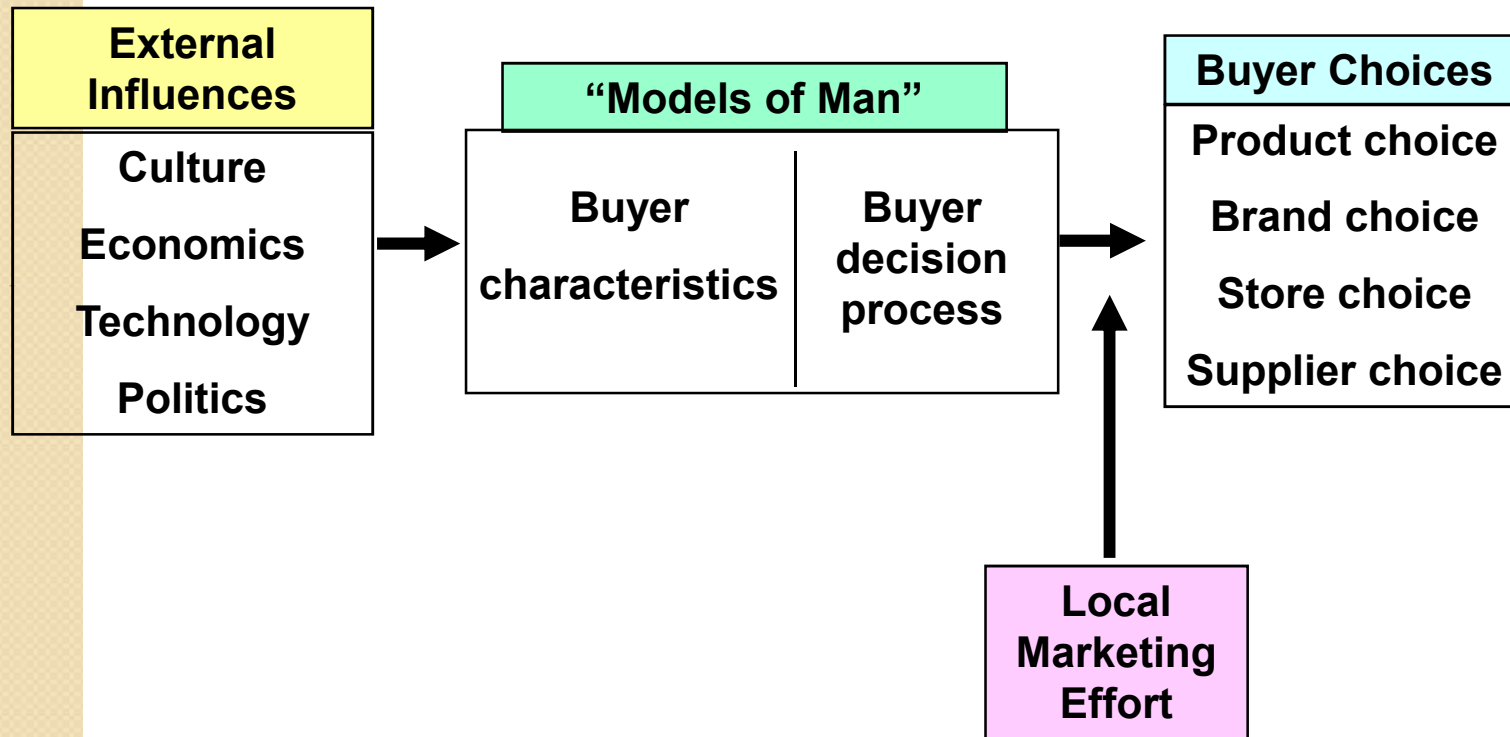
Outline

- **Local Buyer Behavior Basics**
- **The Consumer Decision Process**
- **Local Market Research**
- **How New Brands Change Perceptions**
- **Takeaways.**

Culture and Buyer Behavior

- Marketing and Materialism
 - Marketing actions are basically undertaken in the belief that more and better goods will bring an increase in consumers' standard of living, an increase in their satisfaction, and perhaps even more happiness
 - However, when anticipating customers' reactions to new products and increased product choices, it is important to note the limits on the relationship between material affluence and personal happiness
 - “Money can't buy you love.”

Local Buyer Behavior



Local Buyer Behavior

- James Duesenberry - **Relative Income hypothesis** – consumer's well-being is a function of how much income they have relative to their peer groups, not the actual income
- Milton Friedman – **Permanent income**, defined as the regularly expected income, is what determines an individual's consumption
- Thorstein Veblen – **Conspicuous consumption** – the notion that people make purchases of expensive brands & products in order to display their ability to afford them

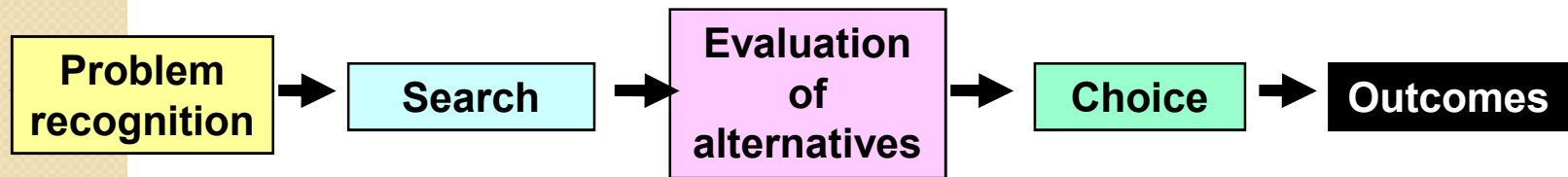
Local Buyer Behavior

The CORE BENEFIT often differs between local markets.

The generic function of a product depends more on the local environment than on innate individual preferences.

- **Remember: Buyers are GOAL-ORIENTED – they buy for a reason. Point is to understand what that reason is.**

The Buyer Decision Process



The Buyer Decision Process

- **Problem Recognition**
 - **A problem is when an individual perceives a difference between an ideal and an actual state of affairs**
 - **New products often lead to tension and a recognized “problem”**
 - **For the local marketer it is important to recognize that education about the core benefits might be necessary in order to create a demand for the product**

The Buyer Decision Process

- **Search**

- **A consumer's search for alternative ways to solve the problem is closely related to his or her level of involvement with the product category**
 - For product with which involvement is high, search tends to be more comprehensive and time consuming
 - For convenience and habit purchases, the decision process is shorter, with little need for extensive searches or alternative evaluations
- **Search intensity is dependent on the perceived availability of the alternative**
 - One advantage for product with high global brand awareness is that initial distrust is easier to overcome

The Buyer Decision Process

- **Evaluation of Alternatives**
 - **When a new product or service is in the “consideration set”**
 - ***A highly involved* individual will process the available information matching the pros and cons of the alternatives against preferences**

The Buyer Decision Process

- **Choice**

- **The final choice of which alternative to select or try is typically influenced by social norms and by situational factors**
- ***Social Norms***
 - **Where group pressures to comply are strong social norms**
 - **The social norms involve two aspects**
 - **Social forces**
 - **Motivation to comply**

The Buyer Decision Process

- **Outcomes**

- The main question about the outcomes revolves around the degree of customer satisfaction.
- **Customer satisfaction** is particularly important in *mature* markets where choices are many and the needs are already well met.
- Satisfaction engenders **loyalty** to the brand and to the company.
- Because buying is typically a risky choice between different brands, the marketer has to make sure that the customer does not encounter **cognitive dissonance**, a sense of possibly making the wrong choice.
- One approach is to get satisfied customers to **endorse** the product, a common strategy in advertising.

A Strong Brand Simplifies the Decision Process

- -- REDUCES INFORMATION SEARCH
- -- REDUCES PERCEIVED RISK
- -- BRAND LOYALTY MEANS DECISIONS GO FAST.

A **GLOBAL BRAND** CAN FOCUS ON INFLUENCING:

- -- ATTITUDES
- -- SOCIAL NORMS
- -- P-O-P (Point-of-Purchase) BEHAVIOR

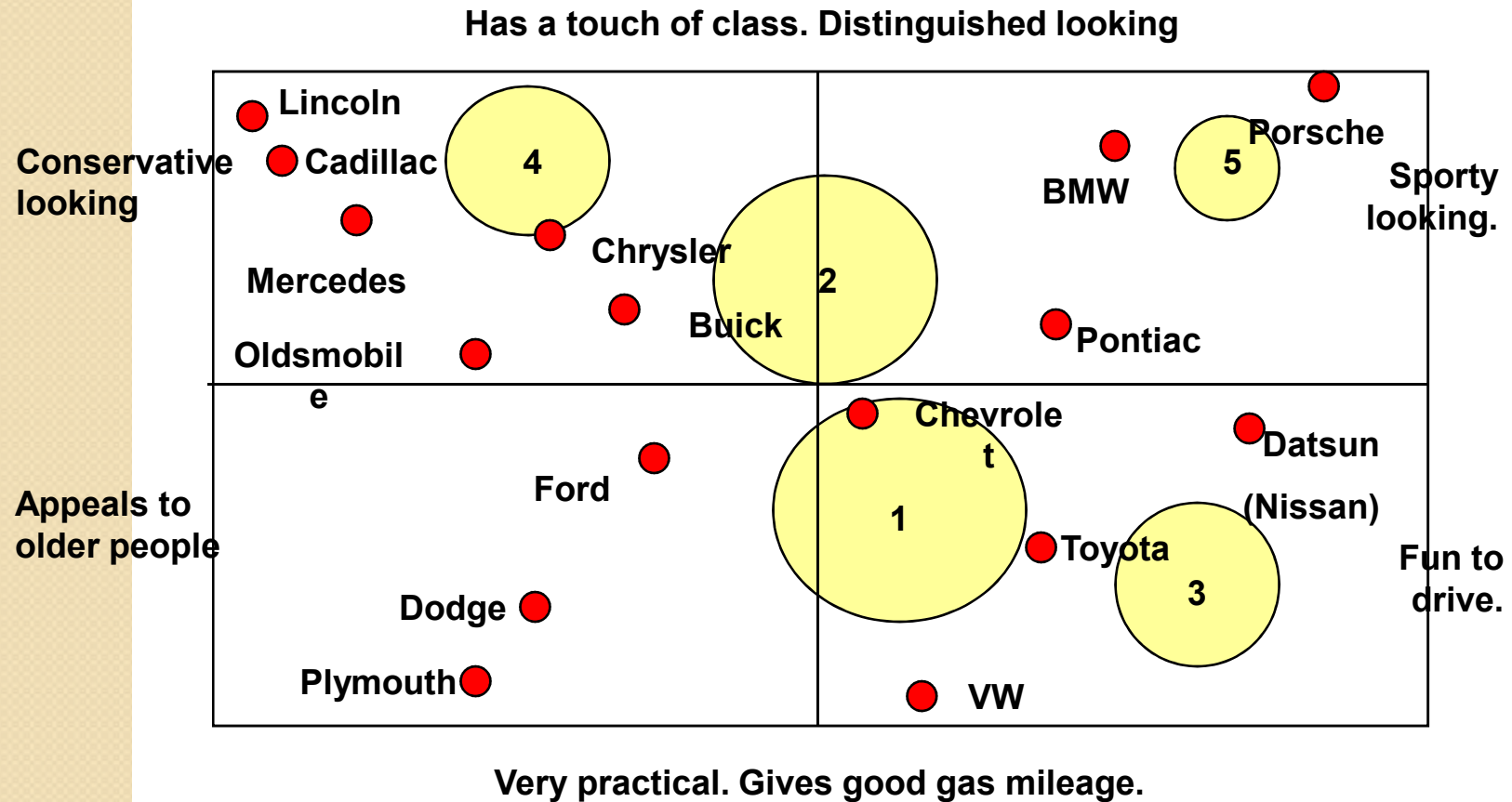
New Brands in Local Markets

THERE ARE THREE DIFFERENT EFFECTS ON BUYERS WHEN A GLOBALLY STANDARDIZED PRODUCT OR BRAND IS INTRODUCED ON A LOCAL MARKET:

- **1. THE NEW BRAND SIMPLY TARGETS ONE UNTAPPED SEGMENT. (A NEW OPTION FOR AN UNFILLED NEED).**
- **2. CONSUMERS CHANGE THEIR PERCEPTIONS, LEARNING ABOUT FEATURES THAT THEY DID NOT KNOW ABOUT (INTERNET ACCESS ON CELL PHONES).**
- **3. BUYER PREFERENCES ARE CHANGED. (PENT-UP DEMAND FOR A PREVIOUSLY UNAVAILABLE BRAND).**

IN PRACTICE, ALL THREE PROCESSES ARE OFTEN AT WORK SIMULTANEOUSLY.

The Japanese change the US auto market



Local Mis-Positioning

- **WHEN EXISTING PRODUCTS ENTER LOCAL MARKETS ABROAD THEY ARE OFTEN “MISPOSITIONED” (NOT WELL ADAPTED TO THE LOCAL PREFERENCES).**
- **IF THE NEW PRODUCT OR BRAND FAILS TO CHANGE THE MARKET PREFERENCES TO THEIR ADVANTAGE, THERE ARE STILL THREE REASONS WHY LOCAL CONSUMERS MIGHT CHOOSE IT:**
 - **BRAND IMAGE**
 - **COUNTRY OF ORIGIN**
 - **LOWER PRICE**

Takeaway

Understanding local markets involves conceptual skills & imaginative rethinking more than new analytical marketing skills.

The **core benefit** of a product or service can vary considerably across countries because of differing environmental conditions surrounding product usage.

Takeaway

Consumer behavior concepts and models are useful tools when examining buyers in foreign markets, but underlying cultural assumptions have to be reconsidered.

Takeaway

Local market research is difficult because of lack of data, language problems, & cultural differences in how people respond to surveys, but can be done with proper adaptation.

Takeaway

Entering new brands will typically affect the local consumers' perceptions of the existing market place in fundamental ways.

When consumer preferences are well established, the entering brand cannot count on changing preferences, but will have to localize and adapt.

Takeaway

It is useful to distinguish between three market environments:

1. The **MATURE** market, where share and customer satisfaction define the strategies
2. The **NEW GROWTH** market, where the global marketer needs to participate & “all boats rise with the tide”.
3. The **EMERGING** market, where the aim is market development with a long time horizon.