International segmentation and positioning

Types of products on the Internet

Products sold on the Internet fall into two categories:

Physical products

Businesses such as Amazon.com and Ebay.com take advantage of selling physical products by using the Internet as an interaction with an immense network community.
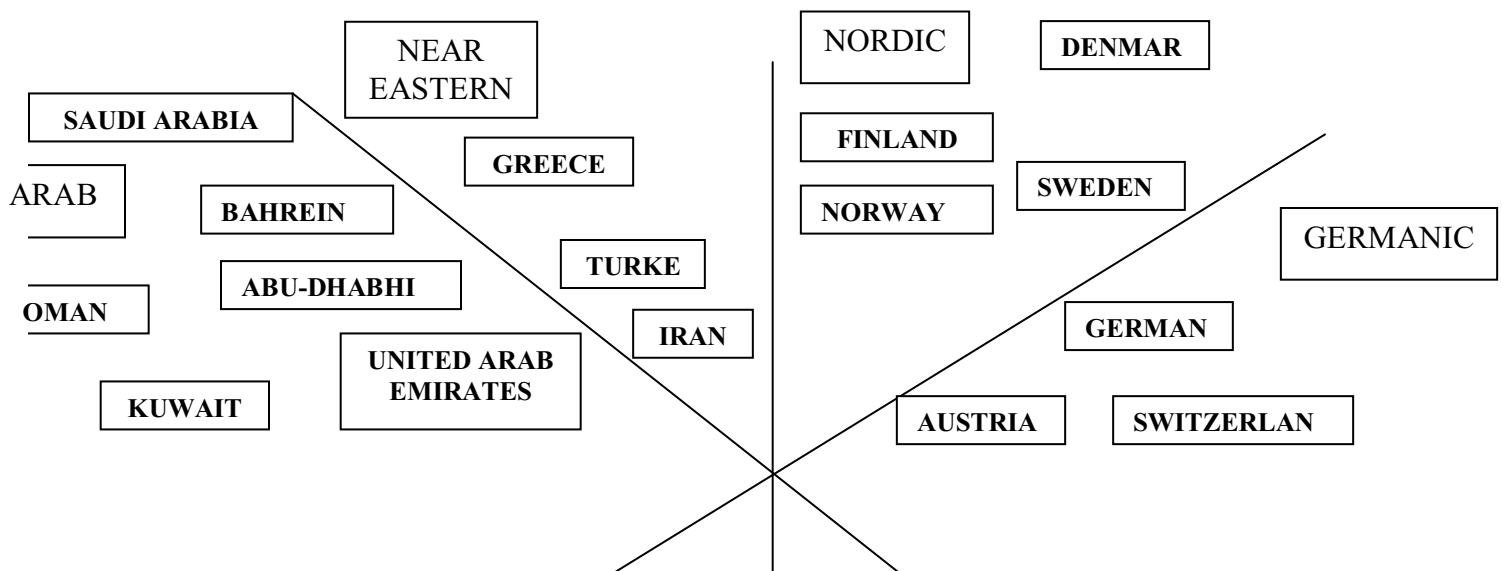
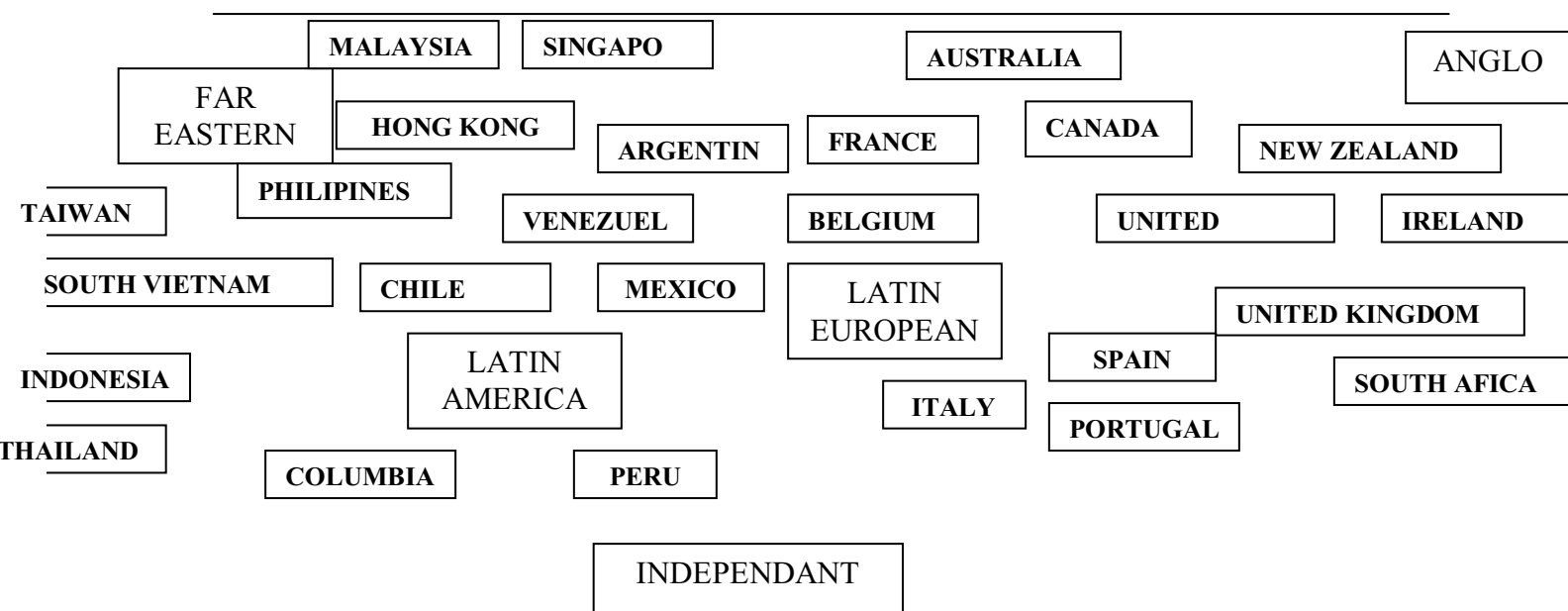### Digital goods and services

This includes information goods and services such as financial information, reference and learning material, entertainment and multi media services and distributed database services etc… In addition innovative digital products also include on- line gaming, chat rooms and search engines etc…

Different strategies are used to price and market the goods, as the above products are easy to copy, yet difficult to value. Strategies include: customisation and bundling, bundling valuable content along with advertising to provide 'free' goods, which introduces different versions of the same product to suit different users, charging subscriptions and also crucially use market mechanisms to assist the setting of prices.

The Internet is a means of global communication, using the global (cluster) generic approach. Market similarities are identified and serviced as though national boundaries do not exist. There is no national segmentation or positioning. Segmenting at the macro level includes:

- Geographic location grouping, based on Hofstede, G (1984) Culture's Consequences

NEAR EASTERN

NORDIC

DENMAR

SAUDI ARABIA

FINLAND

GREECE

ARAB

SWEDEN

BAHREIN

NORWAY

GERMANIC

ABU-DHABHI

TURKE

OMAN

IRAN

GERMAN

UNITED ARAB EMIRATES

KUWAIT

AUSTRIA

SWITZERLAN

MALAYSIA SINGAPO AUSTRALIA ANGLO

FAR EASTERN HONG KONG CANADA

ARGENTIN FRANCE NEW ZEALAND

TAIWAN PHILIPINES

VENEZUEL BELGIUM UNITED IRELAND

SOUTH VIETNAM CHILE MEXICO LATIN EUROPEAN UNITED KINGDOM

INDONESIA LATIN AMERICA SPAIN SOUTH AFICA

THAILAND ITALY PORTUGAL

COLUMBIA PERU

INDEPENDANT

JAPAN BRAZIL INDIA ISRAEL

- Economic status grouping, what about third world countries that cannot afford the use of the Internet. This is a major variable for international market segmentation. Societies with high personal income spend more time and money in services, education and recreation, therefore it could be possible to arrange certain groups from different countries into certain clusters, according to Hollensen (2001). The buying of modern computer technology requires a certain amount of economic development, in most western European countries computers may be owned by most households, yet in third world countries most households may not have even ever seen a computer, which is a necessity for the use of the Internet. In the UK and many other countries there are Internet shops or Internet cafes where consumers use Internet services for a small fee.

- Political system grouping

These countries may be grouped and world market segmented depending on a wide range of political features. For instance a certain product is not to be sold in another country due to governmental regulations. In the case of the Internet information is limitless, it is difficult to filter information on the Internet, or to know who is logging on to your website.

- Cultural similarity grouping.

Hofstede (1980) states "Culture is the collective programming of the mind which disguises the members of one human group from another".

The visible and invisible parts of culture are firstly: the 'visible daily behaviour' such as body language, lifestyle and drinking and eating habits, secondly: 'values and social morals' such as family roles, sex roles and friendship patterns and finally: 'basic cultural assumptions such as national identity, ethnic culture and religion.

Culture also depends on whether the country is high context or low context which was introduced by Edward T. Hall (1960), this depicts different cultural orientations. He concludes that *low context* cultures rely on spoken and written language for meaning. Whereas in *high context* cultures use more of the elements surrounding the message to develop their understanding of the message.

- Technological development level grouping, most developed countries will have Internet access, in contrast to developing countries.

- Product or service demand level

Companies such as Nike and Levi Strauss recognise the importance of customisation and product services, via the Internet as they are experimenting with digital technology. The Levi Strauss web-site displays three-dimensional images where women pay more than $15 more than the standard price of jeans to have a pair of custom jeans made.

Positioning Strategies

Hollensen (2001) describes positioning as "the activity by which a desirable 'position' in the mind of the customer is created for the product". International positioning requires the basic concepts as for a domestic market; the key issue is one of perception, which is influenced by:

Country of origin

This has a strong influence on the quality perception of a product. For example Japan and Germany have a good reputation for cars, whereas if a car were made in China, our perception would certainly change about the quality of it. Perception is also influenced by culture, language, history and nationalism.

Web-user demographics

It is known that the majority of web-users are from the middle to upper income groups with matric equivalent or higher education. The general "older generation" is bound to claim that most of the web-users are teens or early twens. This does not seem to be so.

Candor Webtech (http://www.candor.com/) is a South African operator which runs, amongst a number of other successful applications, a free bi-monthly competition on the Internet. The purpose of the competition is to gain information on Web-user demographics and the company has found that, contrary to popular belief, the average age group is far higher than expected. They have found that 71% of users are older than 25 years of age, and 22% of the sample are older than 45. The statistics are based on a sample of 3000.