GLOBALIZATION VERSUS ADAPTATION STRATEGY IN INTERNATIONAL MARKETING: A STUDY OF EXPORTING COMPANIES IN THE PEOPLE'S REPUBLIC OF CHINA

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Ling-Yee Li

INTRODUCTION

According to Shaw and Onkvist (1987) and Akhter (1995) the issue of global standardization or adaptation in international marketing is not just another theoretical concept in search of practical application. It is a significant issue which warrants attention and evaluation. For example, if global standardization is better than adaptation, it should have far-reaching implications for management because of its effect on business firms, advertising agencies, consumers and marketing education etc. However, according to Hoang (1997), although much has been said and written in the area of globalization/customization, and standardization/adaptation, empirical research examining the desirability of such concepts has been relatively limited. This paper presents the findings of a study in China that examined whether there are significant differences in the adaptation strategy used by firms when they were successful in their product export ventures versus when they were unsuccessful.

THEORETICAL BACKGROUND

According to Hoang (1997) the issue of whether to standardize or to customize marketing activities was first raised in the early, 1960s in the context of international advertising (see Elinder, 1961; Fatt, 1964). The discussion was later broadened by numerous writers to include other elements of international marketing (see Buzzell,

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The “standardized versus localized” debate picked up tremendous momentum after the Levitt (1983) article titled “The Globalization of Markets” in the Harvard Business Review and subsequent works by other authors (e.g. Walters, 1986; Douglas and Wind, 1987; Onkvist and Shaw, 1987; Kreutzer, 1988; Samiee and Roth, 1992; Schnaars, 1991).

Arguments in favour of globalization generally fall into two categories - cost savings and better marketing performance (Sorenson and Weichmann, 1975; Levitt, 1983; Kreutzer 1988; Samiee and Roth, 1992). Possible benefits that could come from adopting this concept, according to those in favour of globalization include economies of scale in production, ease of implementation, strategic consistency, and the congruity in marketing across national boundaries (Walters, 1986; Douglas and Wind, 1987; Kreutzer, 1988; Samiee and Roth, 1992; Schnaars, 1991). According to Hoang(1997) critics of globalization claimed that differences among nations in terms of geographical and cultural environment, marketing infrastructure, political and legal system, and stages of economic development and product life cycle are the major barrier to globalizing marketing activities (Buzzell, 1968; Kotler, 1986; Jain, 1989; Oszomer et al., 1991; Samiee and Roth, 1992). For example, various laws and regulations imposed by foreign governments on advertising a product’s related attributes can have a major repercussions on a firm’s decision to pursue globalization strategy. Climatic differences can also not only affect the sales potential of certain products, but also packaging and distribution (Hoang, 1997).

The standardization school of thought assumes that because of better and faster communication there is a convergence of art, literature, media availability, tastes, thoughts, religious beliefs, culture, living conditions, language and consequently, advertising. This view holds that even when people are different their basic physiological and psychological needs are assumed to remain the same(Onkvist and Shaw, 1987). According to Onkvist and Shaw (1987) the following statements echo the standardisation school of thought typical comments and reactions:
• A powerful force drives the world toward a converging commonality, and that force is technology (Levitt, 1983).
• Language differences are lightweight – merely feathers, not the whole goose (Elinder, 1961).
• There is a gradual development of the World Customer who breaks all boundaries.....Humans desires are pretty much alike (Dichter, 1962)
• Products have to appeal to a variety of people in a large number of countries and are designed to meet the highest denominator of these tastes (O'Connor, 1974).

According to Byrne et al. (1994) and Hoang (1997), some supporters of standardization are quick to use the marketing strategy employed by Coca-Cola to support their claim. However, according to Byrne et al. (1994) and Hoang (1997) closer look at this example shows that although Coca-Cola has been marketed throughout the world with essentially the same brand name, same concentrated formula, same positioning and same advertising theme, the artificial sweetener and packaging of the product as well as sales and distribution programs generally differ from country to country (see also Quelch and Hoff, 1986). In a similar vein, proponents of globalization and standardization have often cited Macdonald’s as a global success for using ethnocentric policy, but one study has noticed that Macdonald’s still “customizes its menus by region” (Byrne et al., 1994:30; Hoang, 1997:26).

The opposite view of standardization strategy is an approach known as “non-standardization”, “adaptation” “individualization”, “specialization,” “localization” “customization” “modification”, or “tailored marketing”. According to this very traditional school of thought, marketers must make particular note of the differences among countries. Marketers must consider barriers such as culture, taste, media availability and other economic considerations. Given these conditions it becomes necessary to develop specific marketing programs to achieve impact in local markets. According to Onkvist and Shaw (1987), the following selected statements reflect their sentiments:
• Lumping foreign nations together under the common and vague headings of foreigner or at the other extreme, assuming that they are just like US customers almost guarantee failure (McCarthy and Perreault, 1984)
• A perfect common denominator is essential for standardization, and this denominator has not been found yet (Lenormand, 1964)
• It is true that all people are motivated by same basic instincts, sense, affections, passions and aspirations, but the different manner of expressing these motivations and aspirations can wreck marketing plans and advertising campaigns, as can customs and many other differences (Reed, 1967).
Viewed broadly, according to the literature (see Keegan and Green, 1997) the following are four alternative positions that a company can take regarding the issue of standardization and adaptation:

1. **Extension/Ethnocentric Marketing Policy**: This policy requires that the marketing-mix strategy of an item be the same around the world and that the importer absorb freight and import duties. Marketing mix decisions are made at headquarters, and products are developed based on the needs of home country consumers.

2. **Adaptation/Multicentric Policy**: This policy permits subsidiary or affiliate managers to establish whatever marketing mix adaptation they feel is the most desirable in their circumstances. Strategic decisions are based on the culture and values of each country where a firm operates. Marketing - mix decisions are made in each country, and products are developed based on local needs.

3. **Regiocentric Policy**: This policy requires the company to base all its marketing - mix decisions on the culture and values of a region. The world is divided into separate regions such as North America, Asia, South Pacific, Europe etc. Marketing - mix decisions involving products, advertising, pricing and distribution are also made regionally.

4. **Invention/Geocentric Policy**: This policy requires that a company should make all strategic decisions based on worldwide opportunities. However, a company using this policy neither fixes a single marketing mix strategy worldwide nor remains aloof from subsidiary marketing-mix decisions, but instead strikes an intermediate position. A company pursuing this approach works on the assumption that there are unique local market factors (e.g. local cost, income levels, competition, and the local marketing strategy) that should be recognised in arriving at a marketing mix decision.

This paper will now address the issue of whether there are significant differences in the adaptation strategy used by firms when they were successful in their product export ventures versus when they were unsuccessful in their product export ventures.

**METHODOLOGY**

Based on the level of export earnings made by different city states in P.R.C., exporting firms from the following three city states were selected and used in this study: Beijing (representing the north), Shanghai (representing the east), and Guangdong (representing the south). These three city-states served as the sampling base for this study. Using the membership directories of manufacturers (1996-97), a systematic random sample of 100 was drawn for each of the three cities, and each sampling unit was contacted by mail beforehand to solicit their cooperation in participating in this study. Out of the total
300 exporters randomly selected 280 firms indicated their willingness to participate in this study.

A copy of the survey instrument was provided via personal delivery to each of the 280 exporting firms that indicated their willingness to participate in the study. Out of the 280 exporting firms that were asked to complete the questionnaire, a final total of 111 exporting firms fully completed the questionnaires resulting in a response rate of 39.6 per cent. The response rate is comparable to the rates reported in other studies involving exporting firms (e.g. Moini, 1995; Burton and Schlegelmilch, 1987).

Since the questionnaire for this study involves specific issues regarding export marketing and exporting in general, the selection of knowledgeable respondents must be a key consideration in the data collection process. The authors therefore felt that the most appropriate person to complete the questionnaire in the companies selected should be the export manager or the marketing manager. However, in very small firms where there are no export or marketing manager, the director or general manager was asked to complete the questionnaire.

Of the total 111 exporting firms used in the sample, 34 per cent were involved in manufacturing final consumer goods, while about 57 per cent of the firms were engaged in manufacturing final industrial products. The remaining 9 per cent of the firms were manufacturing other things such as component parts. Using firms that are involved in manufacturing final industrial products as well those engaged in manufacturing non-industrial products is an indication that firms in this study represented a broad spectrum of exporting firms in China. However, although the achieved sample may not be generally representative of the total set of firms in China, the findings are at least suggestive of the adaptation strategy used by the exporters in the population from which the sample was drawn.

The majority (96.4 per cent) of the respondents were in middle or senior level management positions. Only 3.6 per cent of respondents described themselves as junior managers in their firms. Given that nearly all the respondents used in this study were in middle/senior management positions they should have a reasonable knowledge regarding the export practices of their firms. Most (80 per cent) of the respondents had college or university qualifications.

On the whole, the exporting firms used for this study consisted of small, medium, and large sized exporting firms but the majority (86.5 per cent) of the respondents employed 100 or more full time employees. Only 13.5 per cent of the respondents employed less
than 100 employees. More than a third (37.8 per cent) of the respondents employed 1,000 employees or more (see table 1).

<table>
<thead>
<tr>
<th>Number of Full-Time Employees</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 100 Employees</td>
<td>15</td>
<td>13.5</td>
</tr>
<tr>
<td>100-400 Employees</td>
<td>25</td>
<td>22.5</td>
</tr>
<tr>
<td>401-999 Employees</td>
<td>29</td>
<td>26.1</td>
</tr>
<tr>
<td>1,000 Employees or more</td>
<td>42</td>
<td>37.9</td>
</tr>
<tr>
<td>TOTAL</td>
<td>111</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The rationale of the inclusion of small, medium, and large sized firms in this study is that, according to Aaby and Slater (1989), there is little agreement in the literature regarding the impact of organizational size on either export propensity or export success. According to the literature, although large sized firms tended to have more financial and human resources for export, firm size is not a barrier on export success for small firms.

Instrument Used for Data Collection

The primary data collection for this study commenced with a series of informal personal interviews with business managers and executives in P.R.C. who are familiar with the exporting activities of their firms. For these informal interviews, open-ended questions were used to gain free and uninhibited responses from the interviewees about the export practices of their firms. The information collected from this first step, combined with secondary data obtained from a literature review, provided the basis for the development of a structured questionnaire used for this study. This was followed by the translation of the original English questionnaire into its Chinese version. To avoid the problem of an literal word-for-word type of translation, the Chinese questionnaire was forwarded for comment to several academic researchers who are familiar with not only the international marketing literature but also the business environment in Mainland China. The feedback obtained from these researchers was used to improve the questionnaire before pre-testing.

Twenty exporting firms in China were used for pre-testing the questionnaire through personal interviews. Some of the respondents used in pre-testing the questionnaire completed it in Hong Kong because the pre-testing was scheduled to coincide with the time they were attending a course in Hong Kong. During the pre-test, respondents were asked to complete the questionnaire and indicate any difficulties they experienced...
and to offer suggestions for improvement. This second step ensured that ambiguity and confusion was minimized.

The final structured questionnaire was delivered personally to each firm and later collected. Each firm was asked to provide information on one successful product export venture and one unsuccessful product export venture initiated not more than three years ago. This method of asking respondents to choose one successful case and one unsuccessful case within a specific period of time was used in a study by Madsen, (1989) and utilized for this study because the approach is useful for comparative purposes. Another reason for using this approach according to Madsen, (1989) is the desire to exclude ad hoc export activities from the study.

RESEARCH FINDINGS

Adaptation Strategy Employed when Product Export Ventures Failed
In order to determine the extent of adaptation strategy used when product export ventures failed, respondents were asked to select a failed/unsuccessful product export venture. In this case, a failed or unsuccessful export venture refers to a product export venture which is unprofitable and does not meet the objectives set by the firm. They were also asked to indicate on a 5-point scale the extent to which adaptation strategy was used (where 1= little or no adaptation was used; and 5= substantial adaptation was used). As shown in table 2 the majority of the respondents (more than 77 per cent ) used little or no adaptation strategy in the following areas of promotion, product and pricing activities:
- Initial product upon market entry
- Product subsequent to entry
- Product label
- Product positioning
- Product packaging
- Promotional approach
- Promotional support for foreign distributors
- Pricing (Same price around the world with importer absorbing freight and import duties)
- Permitting agent, subsidiary or affiliate managers to establish their desirable prices
- Making price to be between absolute uniformity and total variability
- Having no control over pricing since the merchant takes title of the product upon purchase
Table 2: Adaptation Strategy Used When Product Export Ventures Failed

<table>
<thead>
<tr>
<th>Marketing Areas Examined</th>
<th>Number of Firms that made a substantial adaptation to each of the following marketing areas to suit their export markets when export ventures was unsuccessful</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Production and Promotion</strong></td>
<td></td>
</tr>
<tr>
<td>Initial product upon market entry</td>
<td>22</td>
</tr>
<tr>
<td>Product subsequent to entry</td>
<td>19</td>
</tr>
<tr>
<td>Product label</td>
<td>16</td>
</tr>
<tr>
<td>Product positioning</td>
<td>18</td>
</tr>
<tr>
<td>Product packaging</td>
<td>20</td>
</tr>
<tr>
<td>Promotional approach</td>
<td>18</td>
</tr>
<tr>
<td>Promotional support for foreign distributors</td>
<td>19</td>
</tr>
<tr>
<td><strong>Pricing</strong></td>
<td></td>
</tr>
<tr>
<td>Same price around the world with importer absorbing freight and import duties</td>
<td>19</td>
</tr>
<tr>
<td>Permit agent, subsidiary or affiliate managers to establish their desirable prices</td>
<td>25</td>
</tr>
<tr>
<td>Price lies between absolute uniformity and total variability</td>
<td>13</td>
</tr>
<tr>
<td>Has no control since the merchant takes title of the product upon purchase</td>
<td>22</td>
</tr>
</tbody>
</table>

Adaptation Strategy Employed When Product Export Ventures were Successful

In order to determine the extent of adaptation strategy used when product export ventures were successful, respondents were asked to select a successful product export venture. In this case, a successful export venture refers to a product export venture that is profitable and meets objectives set by the firm. They were also asked to indicate on a 5-point scale the extent to which adaptation strategy was used (where 1 = little or no adaptation was used; and 5 = substantial adaptation was used). As shown in Table 3 nearly a half of the respondents (48.6 per cent) adapted their products substantially to suit their export markets subsequent to entering their markets. More than 40 per cent of the respondents also substantially adapted the following areas of product, promotion and pricing activities: product positioning; product packaging; and promotion support for foreign distributors. About a third of the respondents also substantially adapted the following areas of product, promotion and pricing activities: initial product upon market entry; promotional approach, and pricing (by permitting agent, subsidiary or affiliate.
managers to establish their desirable prices). More than a quarter (28.8 per cent) claimed to have adapted their product labels substantially.

Table 3: Adaptation Strategy Used When Product Export Ventures Were Successful

<table>
<thead>
<tr>
<th>Marketing Areas Examined</th>
<th>Number of Firms that made a substantial adaptation to each of the following marketing areas to suit their export markets when export venture was successful:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
</tr>
<tr>
<td><strong>Production and Promotion</strong></td>
<td></td>
</tr>
<tr>
<td>Initial product upon market entry</td>
<td>35</td>
</tr>
<tr>
<td>Product subsequent to entry</td>
<td>54</td>
</tr>
<tr>
<td>Product label</td>
<td>32</td>
</tr>
<tr>
<td>Product positioning</td>
<td>46</td>
</tr>
<tr>
<td>Product packaging</td>
<td>52</td>
</tr>
<tr>
<td>Promotional approach</td>
<td>36</td>
</tr>
<tr>
<td>Promotion support for foreign distributors</td>
<td>45</td>
</tr>
<tr>
<td><strong>Pricing</strong></td>
<td></td>
</tr>
<tr>
<td>Same price around the world with importer absorbing freight and import duties</td>
<td>24</td>
</tr>
<tr>
<td>Permit agent, subsidiary or affiliate managers to establish their desirable prices</td>
<td>33</td>
</tr>
<tr>
<td>Price lies between absolute uniformity and total variability</td>
<td>28</td>
</tr>
<tr>
<td>Has no control since the merchant takes title of the product upon purchase</td>
<td>28</td>
</tr>
</tbody>
</table>

Adaptation Strategy Used When Product Export Ventures Failed Versus When They Were Successful

The findings showed significant differences between successful and unsuccessful/failed export ventures regarding the use of adaptation strategy. For example, according to the data, the claim by the respondents that they adapted the following promotion, pricing and product features substantially to suit their export markets were cited more frequently for export ventures that were successful as compared to the unsuccessful export ventures:

- Initial product upon market entry
- Product subsequent to entry
- Product label
- product positioning
- Product packaging
- Promotional approach
- Promotion support for foreign distributors

Moreover, using to a large extent, the strategy of having price that lie between absolute uniformity and total variability was cited more frequently for export ventures that were successful as compared to the unsuccessful export ventures:

| Table 4: A Comparison of the Type of Adaptation Strategy Used When Product Export Ventures Were Successful Versus When They Were Unsuccessful |
|-----------------------------------------------|------------------|------------------|-----------------|
|                                               | Number of Firms that made a substantial adaptation to each of the following marketing areas to suit their export markets. | Sig. Level |
|                                               | when export ventures were successful (N=11) | When export ventures were unsuccessful (N=11) |  |
| Production and Promotion                      |                                               |                                               |  |
| Initial product upon market entry             | 35 31.5% | 22 19.8% | .05 |
| Product subsequent to entry                   | 54 48.6% | 19 17.1% | .00 |
| Product label                                 | 32 28.8% | 16 14.4% | .01 |
| Product positioning                           | 46 41.4% | 18 16.2% | .00 |
| Product packaging                             | 52 46.8% | 20 18.0% | .00 |
| Promotion approach                            | 36 32.4% | 18 16.2% | .01 |
| Promotion Support                             | 45 40.5% | 19 17.1% | .00 |
| Pricing                                       |                                               |                                               |  |
| Same price around the world with importer absorbing freight and import duties | 24 21.6% | 19 17.1% | N.S |
| Permit agent, subsidiary or affiliate managers to establish their own desirable prices | 33 29.7% | 25 22.5% | N.S |
| Price lies between absolute uniformity and total variability | 28 25.2% | 13 11.7% | .01 |
| Has no control since the merchant takes title of the product upon purchase | 28 25.2% | 22 19.8% | N.S |

(Note: Chi-square test with D.F. = 1 was used for the above analysis. If Chi-Square test does not indicate statistically significant difference at .10 level, it is reported as N.S).
SUMMARY AND CONCLUSION

For the export ventures that failed, the majority of respondents claimed that there was little or no adaptation regarding their product, promotion, and pricing strategy when marketing the product export ventures in foreign markets. This tends to indicate that export performance may be adversely affected if managers follow ethnocentric policy that requires the marketing of an item to be the same around the world.

Moreover, the claim by the respondents that they adapted the various promotion and product activities covered in this study to suit their foreign markets was frequently cited for successful export ventures than for unsuccessful export ventures. This result seems to suggest that firms that modified their marketing strategy to suit international markets, tend to enjoy a better export performance.

Furthermore, although when the product export ventures were successful, the respondents claimed that most of the areas covered in the study were substantially modified to suit their markets, some of the areas received little or no modifications. This may mean that although the needs and wants of global markets are culturally diverse and that each market must be dealt with according to its peculiarities, full-scale or total adaptation towards international markets may be an extreme and unattainable strategy.

However, to further investigate the validity of these findings a similar study on a much larger scale should be conducted. Future studies could also identify why some organizations are motivated to modify their strategy to suit their foreign markets while others do not see any need for such modification.

REFERENCES


