THE REPUBLIC OF TURKEY

BAHCESEHIR UNIVERSITY

STANDARDIZATION VS. ADAPTATION DETERMINANTS IN MARKETING STRATEGY OF MULTINATIONAL COMPANY SUBSIDARIES OF CONSUMER ELECTRONICS

Master's Thesis

GÜLŞAH AKBAYTÜRK

ISTANBUL, 2016

THE REPUBLIC OF TURKEY

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Istanbul, 2016   Gülşah Akbaytürk

ABSTRACT

STANDARDIZATION VS. ADAPTATION DETERMINANTS IN MARKETING STRATEGY OF MULTINATIONAL COMPANY SUBSIDARIES OF CONSUMER ELECTRONICS

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The aim of this thesis is to focus on the determinants of standardization/adaptation of the marketing strategy run by subsidiaries of global consumer electronics companies. The factors which are influencing marketing departments whether to standardize or adapt during decision making process for their marketing plan have been searched and analysed. Advantages and disadvantages of both approaches have been studied. More importantly, the research has tried to define how global consumer electronics companies utilize these approaches in their local branches. In the first part of the thesis, in order to address the issue profoundly, a theoretical review on standardization and adaptation argument has been conducted. In the following part, the interview type of research method has been introduced and the interview details conducted with two different consumer electronics marketing representatives from different local branches have been covered. The interview questions have been prepared to analyse marketing mix elements and to reveal which approach (standardization/adaptation) is more applicable for those elements. The final part presents results of the conducted research in terms of analysis of gathered data followed by discussion and drawn conclusion.

Keywords: standardization, adaptation, localization, globalization, international marketing strategy

ÖZET

ULUSLARARASI TÜKETİCİ ELEKTRONİĞİ FİRMALARININ YEREL OFİSLERİNİN PAZARLAMA STRATEJİLERİNDE KULLANILAN STANDARTLAŞMA / YERELLEŞME YAKLAŞIMLARININ BELİRLEYİCİ ETKENLERİ

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Bu tezin amacı, küresel tüketici elektroniği firmalarının yerel ofislerinin yürüttüğü pazarlama stratejilerinde kullanılan standartlaşma/yerelleşme yöntemlerinin belirleyici etkenlerine odaklanmaktır. Pazarlama planlarının oluşturulma esnasında standartlaşma veya yerelleşme yöntemlerinden birini seçerken verdikleri kararları etkileyen faktörler araştırılıp analiz edilmiştir. Her iki yaklaşımın faydalı ve zararlı yönleri incelenmiştir. En önemlisi, bu araştırma küresel tüketici elektroniği firmalarının bu yaklaşımlardan nasıl faydalandıklarını ortaya koymaya çalışmıştır. Tezin ilk kısmında, konuya daha derinden yaklaşmak için standartlaşma ve yerelleşme tartışmaları üzerine teorik bir inceleme ortaya konmuştur. Takip eden bölümde, mülakat usulü araştırma tekniğinin yapısı açıklanmış ve iki farklı tüketici elektroniği firmasının farklı yerel ofislerde çalışan pazarlama temsilcileriyle gerçekleştirilen mülakatın detayları verilmiştir. Mülakat soruları pazarlama (*marketing mix*) elementlerini analiz edip hangi yaklaşımın hangi pazarlama elementi için daha uygun olduğunu ortaya koymak için hazırlanmıştır. Son bölümde, yapılan araştırma dâhilinde toplanan verilerin analizi ışığındaki çıkarımlar, bunların irdelenmesi ve sonuca bağlanması bulunmaktadır.

Anahtar kelimeler: standartlaşma, yerelleşme, küreselleşme, uluslararası pazarlama stratejisi

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ABBREVIATIONS

FMCG:	Fast Moving Consumer Goods
DC:	Dry Container
R&D:	Research and Development
HP:	Hewlett Packard
B2B:	Business to Business
B2C:	Business to Consumer
SRP:	Suggested Retail Price
FOB:	Free On Board

1. INTRODUCTION

The aim of this thesis is to study how subsidiaries of global consumer electronics companies build their local marketing strategy and which marketing model dominate their strategy; standardization or adaptation.

The thesis is structured as follows. In the introduction part, how the subject of the thesis was chosen is described, problem statement is disclosed, research objectives and questions are carried out. Following chapter includes the literature review part. Background of the subject is mentioned, terminology is listed, the notions like standardization, adaptation, culture, etc. are portrayed, and consumer electronics industry is touched in this part. Moving on the third chapter, the methodology of the thesis is expressed. Fourth chapter encloses the interview details which is analysed under each marketing mix element. The study concludes by discussing the research findings and their implications for management and future studies.

1.1 PROBLEM STATEMENT

With improvements in technology in late 20th Century, communication and transportation facilities have evolved likewise. The business exchange between nations has increased and there have been many opportunities to import and export. This has let different cultures of nations to expand ideas and values. With this global interactions, sociocultural environments have been affected and globalization has literally started to shape both economy and cultures. Nevertheless it is obvious that the cultural differences still exist and the biggest challenge is lying under the phenomena of cultural demand. Culture as a concept is not that easy to analyse. It has been dealt with different social scientists and defined in many other ways. Tyler's (1870, p.1) definition is possibly the best known: "Culture ... is that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society."

On the other hand, Hofstede (1980, p.87) defines culture as it is not that complicated, and it is almost an organized collective course of action as a matter of fact: "Culture is complex, but it is not chaotic; there are clearly defined patterns to be considered. Culture

is the collective programming of the mind which distinguishes the members of one human group from another". Even we consider each culture as a series of systematic behaviour patterns of specific human group, there are still challenges to manage several cultural issues centrally. Handling with cultural challenges implies that the company has to deal with different cultures while it goes global. They should find an accurate solution in order to meet different consumer demands while operating in different countries. So they encounter with two different strategies to conquer that problem; standardization or adaptation. "Standardized global marketing is an international marketing strategy that basically uses the same marketing strategy and mix in all of the company's international markets." (www.marketingbinder.com) "Adapted global marketing is an international marketing approach that adjusts the marketing strategy and marketing mix elements to each international target." (www.marketingbinder.com) Eventually the main problem is that companies should decide on which strategy to follow by all means.

1.2 RESEARCH OBJECTIVES

Considering the problem mentioned above, the aim of this thesis is to analyse and compare two methods, standardization and adaptation, to demonstrate how global companies handle local differences with their marketing strategy. To fulfil this aim, a descriptive research will be carried out and a qualitative interview will be performed with two global consumer electronics company marketing representatives, Sony and HP. The collected data will be utilised to answer research questions.

Main tasks to reach the target:

1- Doing a comprehensive literature review on global companies headquarters-local branch office relations through marketing strategy;

2- Finding out the main reasons which are affecting the decision on whether to standardize or adapt;

3- Seeking for possible tendencies in standardization or adaptation of separate marketing functions (marketing mix elements);

4- Doing a qualitative interview with two global consumer electronics company marketing department representatives and analysing the collected data under each marketing mix elements;

5- In the light of the research results, drawing a conclusion on which marketing activity standardization or adaptation is preferably used in local subsidiaries of consumer electronics companies.

1.3 RESEARCH QUESTIONS

3 main research questions have been produced which can create the path for the research and give the direction to the correct subject matter.

1)   What are the factors that affect the decision whether to standardize or to adapt? How companies decide whether to standardize or adapt, and which factors are affecting the decision have been searched for in this research. In the interview section, real company experiences have been demonstrated to answer this question.

2) Which of the marketing mix elements prone to be standardized or adapted in global companies, and to what extend?

After doing the groundwork for the thesis, it has been verified that there is no exact answer whether to standardize or adapt, and it is apparent that companies usually sustain their experiences and get benefit from each strategies in different functions of marketing. Through interview questions, it has been illustrated that which strategy is convenient in which marketing mix element.

3) What are the main marketing standardization tendencies in consumer electronics sector?

There might be different trends in different sectors. Strategies may vary in different industries. In this thesis, consumer electronics has been addressed as a frame. In FMCG sector for instance, the companies can have different operational structure and the market

might react differently. Being talked about technology sector, the consumer demand and the cultural reactions can diversify. In this thesis, consumer electronics market has been evaluated particularly and the interviewees have been chosen accordingly.

2. LITERATURE REVIEW

Since the term globalization appeared on the scene by late 20th, different cultures in a world wide scale have started to get homogenized, however they still exist firmly. In recent years, world economy discipline has been unified in a global form which connotes that the different country economies integrated with the aim of enhancing wealth through competition and specialization. "When economies go global, there is free trade, migration, and technological, political, military, and socio-cultural interaction and sharing between nations. Global means the integration of different nations as a single unit." (Global vs. International, differencebetween.net) With the help of technological enhancements, the world gets smaller and the cultures get affected by new age technology. The world gradually becomes one single big market. The differences between countries are becoming smaller than ever, yet they still exist. As Vrontis and Thrassou (2007, p.7) state that:

> *Within the field and literature of international marketing, when a company decides to begin marketing products abroad, a fundamental strategic decision is whether to use a standardized marketing mix (product, price, place, promotion, people, physical evidence, process management) and a single marketing strategy in all countries or whether to adjust the marketing mix and strategies to fit the unique dimensions of each local market. Some people see markets as becoming more similar and increasingly more global and believe that the key for survival is companies' ability to standardize. Others point out the difficulties in using a standardized approach, and therefore support tailoring and market adaptation. However, literature quoting practical evidence suggests that companies make contingency choices, which relate to key determinants in each circumstance.*

Vrontis and Thrassou (2007) stress that the ongoing debate on standardization vs. adaptation approaches in international marketing and market entry methods continue to be a focus of research in academic literature.

2.1 TERMINOLOGY ANALYSIS

While making selective readings related with the research topic, it is has been understood that there are plenty of similar terms used for standardization and adaptation having close meanings at the bottom line. It has been a tricky problem to pick the right words from the vocabulary. Standardization and adaptation terms have been chosen for this study which stand for two opposite concepts in the literature. There are alternative words to them, however they fit to the context perfectly. Speaking of adaptation, terms like "localization", "diversification", "decentralization" have been used. Besides, for standardization, the terms "globalization", "centralization", "internationalization" have been used. The definitions of these terms have been searched in an online dictionary to eliminate the ambiguity about the context.

_ **Adaptation** – the process of changing to suit different conditions (online dictionary, dictionary.cambridge.org, 2016)

This term literally addresses to all kinds of customization. It implies a strategy of making something to fit into a condition. There is no direct marketing reference, however it is widely used to describe a total marketing strategy in the literature. An example definition of marketing standardization and adaptation would be as follows: "As a business enters a new market, it must cope with cultural and demographic differences in the way it handles marketing. Some businesses choose a standardization model, in which the business appeals to universal needs, wants or goals in its marketing. An alternative, the adaptation marketing strategy, forgoes universality in favour of tailoring marketing to appeal to the cultural or demographic particulars of customers in the new market." (http://smallbusiness.chron.com/adaptation-marketing-strategy-71691.html)

_ **To Localize** – "to organize a business or industry so that its main activities happen in local areas rather than nationally or internationally" (online dictionary, dictionary.cambridge.org, 2016)

_ **Localization** – "the process of making a product or service more suitable for a particular country, area, etc." (online dictionary, dictionary.cambridge.org, 2016)

This explanation seems exactly matching with the concept. Nonetheless, it is a word generally used in translation world. It mainly refers to linguistic part of the topic which is also another face of the case. Therefore, it has not been used in this study.

_ **To Diversify** – "If a business diversifies, it starts making new products or offering new services." (online dictionary, dictionary.cambridge.org, 2016)

This term implies variety of products or services. It points out a growth or multiplicity in a company. There is no local touch within the meaning.

_ **To Decentralize** – "to move the control of an organization or a government from a single place to several smaller places" (online dictionary, dictionary.cambridge.org, 2016)

This term is mostly used for authority and organizational issues. It stands for the distribution of the power and authority. When it comes to the governance of the company, marketing side might be affected as well, however it is totally a different concept.

_ **To Standardize** – "to make things of the same type all have the same basicfeatures" (online dictionary, dictionary.cambridge.org, 2016)

_ **Standardization** – "the process of making things of the same type have the same basic features" (online dictionary, dictionary.cambridge.org, 2016)

This definition best describes the marketing standardization which has been used in this study. This marketing approach assumes that consumers all around the world have same basic universal needs and wants, therefore the marketing can have the same basic features.

_ **To Centralize** – "to organize a system, company, government, etc. so that all of its parts are controlled by one main system or authority:." (online dictionary, dictionary.cambridge.org, 2016)

This term is the opposite of "decentralization" and used for authority exercises.

_ **To Globalize** – "to (make a company or system) spread or operateinternationally" (online dictionary, dictionary.cambridge.org, 2016)

_ **Globalization** – "the increase of trade around the world, especially by large companies producing and trading goods in many different countries", "a situation in which available goods and services, or socialand cultural influences, gradually become similar in all parts of the world" (online dictionary, dictionary.cambridge.org, 2016)

This term is commonly used in economics and business operations. It is actually right related with the concept, however not pointing the marketing related forms.

_ **To Internationalize** – "to become or make something become international" (online dictionary, dictionary.cambridge.org, 2016)

This term as a word sounds like the right opposite of the word localization, but it is just referring to operating in more than one country. Becoming international doesn't always mean that marketing division acts standardly in each country.

2.2 UNDERSTANDING CULTURE

Solomon (2004) describes culture as a concept very important to understand the consumer demand, maybe defined as a society's personality. It can be either abstract notions like values, myths, rituals, or tangible things, such as food, art, sports etc. "Put another way, culture is the accumulation of shared meanings, rituals, norms, and traditions among the members of an organization or society." (Solomon 2004)

According to him, consumption choices and overall priorities of consumers are basically determined by their culture. Without considering the cultural context, consumer demand cannot be understood. The significance of these cultural expectations can be recognized only when they are violated. However he also signifies that there might be some exceptions like that a product designed by a dominant culture can be accepted by others. Solomon (2004) asserts that:

> *The relationship between consumer behaviour and culture is a two-way street. On the one hand, products and services that resonate with the priorities of a culture at any given time have a much better chance of being accepted by consumers. On the other hand, the study of new products and innovations in product design successfully*

produced by a culture at any point in time provides a window into the dominant cultural ideals of that period. Consider for example, some American products that reflect underlying cultural processes at the time they were introduced.

So there is still the question which marketing model to choose especially for consumer electronics industry.

2.3 GLOBALIZATION VS. INTERNATIONALIZATION

The terms global and international sound similar and both seem to be analogous. Although they somehow correlate each other, they are not referring to the same concept. Emad Rahim (2014) clarifies the situation as follows:

> *According to the Oxford University Press, global marketing means a company adapts the same promotional tactics across the world – think of Wal-Mart or Nike. In global marketing, the business thinks of the whole world as its operating space and does not adapt its products or services, communication and distribution channels to domestic requirements. International marketing, on the other hand, means marketing a company applies when it opens a subsidiary in a country and lets the subsidiary serve the local market, paying attention to local customs in terms of religion, lifestyles and eating habits, for example.*

From the definition, it can be considered that global marketing fits to standardization model, on the other hand, international marketing is more related with adaptation model. Standardization and adaptation models are amplified in the following sections.

2.4 STANDARDIZATION

Standardization defined by Jain (1989, p.70) as "the worldwide marketplace has become so homogenised that multinational corporations can market standardized product and services all over the world, by identical strategies with resultant lower cost and higher margins." Buzzell (1968) also describes standardization as "the offering of identical product lines at identical prices through identical distribution systems, supported by identical promotional programs, in several different countries."

According to Vrontis and Thrassou (2007, p.8), supporters of standardization school accept that consumers' needs, want and requirements do not differ over various markets and regions. They insist on that the globe is becoming increasingly more analogous in terms of environmental and customer requirements, and no matter where they are consumer demand is same. They assert that running a standardized single strategy for the all locals lead to minimum economies of scale and the uniformity on the eye of the customer.

It can be said that Levitt is known as the architect of the standardization concept. Levitt supports the idea of creating one single strategy around the globe in order to achieve high quality, consistency and lower cost. According to Levitt, companies can be successful only by focusing on general consumer demand instead of worrying about what every single person might want. Yoram and Douglas (1987, p.21) summarize Levitt's assumptions on the reasons of standardization:

> *An examination of the arguments in favour of a strategy of global products and brands reveal three key underlying assumptions: 1. Customer needs and interests are becoming increasingly homogeneous worldwide. 2. People around the world are willing to sacrifice preferences in product features, functions, design and the like for lower prices at high quality. 3. Substantial economies of scale in production and marketing can be achieved through supplying global markets.*

Levitt (1983) in his article pictures a new commercial reality in which global markets of standardized consumer products emerge on a previously unimagined scale of magnitude. Technology is the most powerful drive of this powerful force which pushes the world into a merged commonality. This drives people to eager for modernity's allurements. Almost everybody desires all the new things they have heard, seen, or experienced via new technologies. "Corporations geared to this new reality benefit from enormous economies of scale in production, distribution, marketing, and management. By translating these benefits into reduced world prices, they can decimate competitors that still live in the disabling grip of old assumptions about how the world works." (Levitt, 1983)

2.4.1 Why Standardization Strategy?

Standardization approach suggests that "one way works for all" and it is always easier to create only one strategy and execute it wherever it is possible. The company sets the standards once, and ignores the rest of the requirements, then it assumes to fit the same strategy to all. It is sometimes advantageous to build a single plan. Levitt (1983, p. 92) states that companies:" ...benefit from enormous economies of scale in production, distribution, marketing, and management ... " First of all it is time saving and lets a company to utilise its resources on sales activities. All the activities in all regions can be easily controlled and reported by head office. So it assures a uniformity within all countries and a strong brand image can be established globally. Buzzell (1968) mentions about uniformity as follows:

> *Quite apart from the possibilities of cost reduction, some multinational companies are moving toward standardization in order to achieve consistency in their dealings with customers. Executives of these companies believe that consistency in product style, in sales and customer service, in brand names and packages, and generally in the "image" projected to customers, is a powerful means of increasing sales.*

As shown on the Table 2.1, Vrontis and Thrassou's (2007, p.11) research analysis point out that the most important reasons for standardizing are global uniformity and image, economies of scale and synergetic and transferable experience. Consistency with consumers, easier planning and control and stock cost reduction are of less importance.

Table 2.1 Reasons for standardizing and their level of importance

Reasons in order of importance	Percentage (%)
Global uniformity and image	81
Economies of scale in production, R&D and promotion	75
Synergetic and transferable experience and efficiency	74
Consistency with the mobile consumer	52
Easier planning and control	48
Stock costs reduction	43

It also helps different branches of a global company to share their experiences and sources. Headquarter office works for R&D, production and promotion material generation. All branches utilise same sources and also share their knowhow within. All these works are done by professional experts competently in the centre office and distributed to all regions. It is also a cost friendly solution to optimise the operations.

Porter (1986, p.122) emphasizes the benefits of central production of promotion materials:

> Centralized production of advertisement, sales promotion materials (e.g., brochures, posters, etc.), and user manuals can reap economies of scale in both development and production, as well as faster accumulation of learning, even if these materials are produced in a number of variations. The use of experienced art directors and producers may result in better TV ads being created at a greater speed or lower cost due to the learning curve effect. The use of centralized printing of materials may facilitate the adaption of a state-of the art technology.

Briefly, proponents of standardization approach put emphasis on the homogenization of world markets and the related cost savings. It is also asserted that standardization expedites economies of scale in all valuable activities, and that this leads the company to settle a low-cost competitive position in global markets (Cavusgil, 1993).

2.4.2   Critiques to Standardization Strategy

There are several opposing views to strategy of marketing standardization method. The most outstanding controversy declares that all methods requires localization in order to adapt to local market to some extent. More precisely, "There is a lack of evidence of homogenization and significant differences still exist between groups of consumers across national market boundaries so that the differences both within and across countries are still far greater than any similarities" (Segal-Horn 2009, p.66), hence it wouldn't be applicable to run standardization strategy without any single adaptation to local. Also Sousa & Lengler (2009, p.591-610) claim that standardized model may not be achievable because of distinct differences between cultures.

Moreover, Porter (1986, p.17) states that: "In some global strategies marketing should play the role of tailoring and not standardizing to support an overall strategic position."

Scholars also address to some obstacles of standardization strategy stating that there are some facts like trade barriers, national economics, etc. which cannot be underestimated while going global. Companies should take necessary precautions accordingly which brings adaptation model matter up.

Zou and Andrus (1997) argue standardization strategy with a quotation from Douglas and Wind (1987):

> *Global marketing standardization is feasible only under certain conditions. These include the existence of a global market segment, potential synergies from standardization, and availability of a communication and distribution infrastructure to deliver the firms' offerings to target customers worldwide. One key drawback of a standardization approach is that it implies a product orientation, rather than a customer and competitor orientation.*

Considering all these controversy thoughts, it can be said that adapting the marketing strategy is inevitable and a must over and above. Tailoring the marketing strategy is a roadmap to global existence according to these arguments.

2.5 ADAPTATION

After Levitt, the debate has gone through other scholars, and some reactions have aroused naturally. It can be said that adaptation strategy arguments have been constructed after standardization model propositions. Standardization model has been opposed by marketing adaptation supporters. According to Czinkota and Ronkainen (2013, p.237), marketers have recently faced with a new series of macro environmental factors. They believe that "When deciding to go international in its marketing activities, a firm exposes itself to an unfamiliar environment… firms need to learn about the culture of the host country and its demographics, understand its political system, determine its stability, and appreciate differences in societal structures and language." This situation forces companies to achieve such constraints by creating local strategies. Supporters of the

international adaptation school of thought assert that there are excessive differences between countries and even between regions in the same country. Based on these cultural differences, marketing models should be adapted accordingly. The journalist Lipman (1988) argues that "the standardized marketing theory itself is bankrupt. Not only are cultural and other differences very much still in evidence, but marketing a single product one way everywhere can scare off customers, alienate employees, and blind a company to its customers' needs."

It is quite obvious that people speak different languages, have different religious beliefs, listen different types of music, rules differ by country to country, and needless to say that there are different climate, and geographic conditions. Supporters of this model consider that these conditions affect consumption behaviour, and global companies should find a way to customize their marketing strategy in order to attain local attention and get the most out of the market share.

2.5.1   Why Adaptation Strategy?

Adaptation marketing strategy recommends that every single market should be taken into consideration as independent units and customizations should be done according to cultural, economic and legal differences. There are a couple of reasons why supporters of adaptation model insist on this strategy. First of all, they believe that companies can build an excellent brand image in local by respecting local specifications and expectations. In the meantime, they can attract the attention of local consumer as they feel to be treated special. Customers feel noticed and keep their landmark.

According to the research of Vrontis and Thrassou (2007, p.11), "It was identified that the most important reasons driving UK multinational companies towards international tactical adaptation are culture, market development, competition, laws, economic differences and differences in customer perceptions. The remaining four reasons researched were of less importance." Reasons have been listed on the Table 2.2.

Table 2.2. Reasons for adapting and their level of importance

Reasons in order of importance	Percentage (%)
Culture	93
Market development	87
Competition	84
Laws	82
Economic differences	78
Sociological considerations	74
Differences in customer perceptions	71
Technological considerations	60
Political environment	53
Level of customer similarity	49
Marketing infrastructure	44
Differences in physical conditions	39

2.5.2 Critiques to Adaptation Strategy?

Executing full adaptation strategy might have some disadvantages. Some scholars believe that it causes higher costs of execution. Doing all marketing exercises from scratch in each country would entail a cost, and it is hard to prove that it is worth to do it. In order to conduct most suitable local marketing activities, it is essential to analyse the local consumer behaviour. Otherwise, all the activities would mean nothing which leads to another issue, finding out what the local consumers really want. It is also another costly activity. Some researches and analysis should be run which are time consuming. These kind of activities require adequate human resources. Employee standards should be higher compared to standardization model. Therefore, it is not easily manageable in terms of higher costs, time consumption, higher employee standards and ambiguity of local consumer needs.

2.6 MIXED APPROACH & COMBINATION STRATEGY

Mentioned binary oppositions have been opposed by many scholars. They have drawn attention to the difficulty of executing any of such extreme models and they have proposed the combination strategy. According to Wang and Yang (2011), in the 1960s, scholars have started to shift upon the contingency model in international marketing. It has been said that standardization and adaptation are not two opposite polar side and there are degrees of international marketing standardization and adaptation depending on different factors.

According to combination strategy, companies should utilise the advantages of both models. To achieve an effective strategy, they should try to standardize marketing mix elements as a result of being a global company, but on the other hand they should track the local market dynamics and try to get use of adaptation. Only this way, they can survive in a globalized world where marketing standardization and adaptation are required simultaneously.

In Table 2.3 Vrontis (2003) illustrates the process of integrating adaptation and standardization in international marketing tactics. Vrontis (2003) states that the process in the table

> *is a mechanism that seeks to aid marketers to decide on the level of integration and eliminate any problems created by using solely the one or the other approach… The identification and implementation of the right degree of integration are essential as it increases the chance for multinational companies to remain competitive and marketing orientated within their industrial structure and international marketing arena.*

Therefore, the Table 2.3 plays an important role for marketers in making decision on their marketing strategy.

Table 2.3 The adaptation/standardization process

ADAPTATION	Reasons Pulling Towards Adaptation	Product	Price	Place	Promotion	People	Reasons Pulling Towards Standardisation	STANDARDISATION
	1. Market development 2. Economic differences 3. Culture 4. Differences in customer perception 5. Competition 6. Technological 7. Sociological 8. Differences in physical conditions 9. Legal / political 10. Level of customer similarity 11. Marketing	1. Product or service variety, design, features 2. Quality 3. Brand name 4. Packaging, styling 5. Size and colour varieties 6. Performance 7. Image 8. Pre-sales service 9. Delivery, installation 10. After-sales service, warranties	1. Price levels, list price, price changes 2. Discount allowances, payment period, credit terms	1. Distribution channels, distributors value, place of shops, logistics	1. Advertising 2. Sales promotion 3. Personal selling 4. Direct marketing 5. Public relations	Physical evidence Process management	1. Economies of scale in production, research and development and promotion 2. Global uniformity and image 3. Consistency with the mobile consumer 4. Easier planning and control 5. Stock costs reduction 6. Synergetic and transferable experience	

SH1 SH2 SH3 SH4 SH5,6,7

SH8   Sh9

Factors Affecting the Importance of Reasons and Elements
1. Industrial sector
2. Business to business, business to consumer
3. Product/service category
4. Places and continents
5. Entry method
6. Delegated authority to foreign subsidiaries
7. Relationship with different foreign subsidiaries
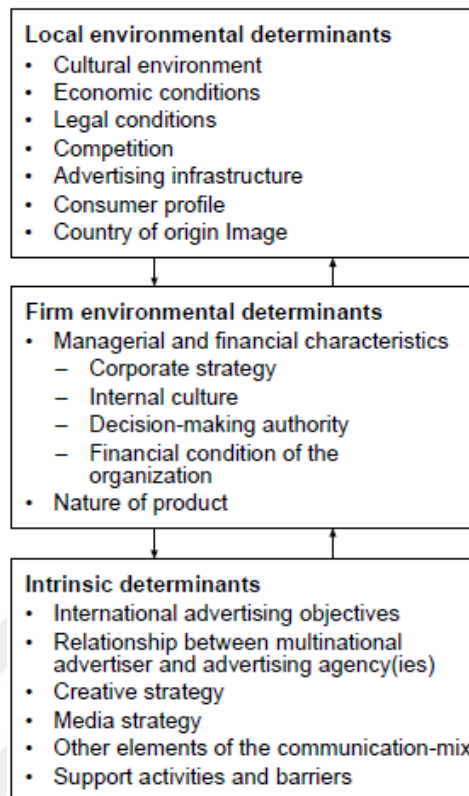8. World-wide turnover
9. World-wide number of employees

As a summary of standardization vs. adaptation literature section, it can be confessed that there is no single way to run the best strategy. Both standardization and adaptation strategies have pros and cons. Supporters of standardization approach claims that it creates global uniformity, increased economies of scale, and easy to control, whereas the supporters of adaptation asserts that cultural differences requires special treatment in order to survive in competition. Speaking of combination strategy, it combines both strategies and proposes to utilise advantages of both models.

2.7 CONSUMER ELECTRONICS INDUSTRY DYNAMICS

Papavassiliou and Stathakopoulos (1997) in their research, sorted out the area of influences in choosing the right model. They divided those influences into three main columns which can be seen on the Table 2.4; local environmental determinants, firm environmental determinants and intrinsic determinants.

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Table 2.4 Area of influences

Local environmental determinants
- Cultural environment
- Economic conditions
- Legal conditions
- Competition
- Advertising infrastructure
- Consumer profile
- Country of origin Image

Firm environmental determinants
- Managerial and financial characteristics
  - Corporate strategy
  - Internal culture
  - Decision-making authority
  - Financial condition of the organization
- Nature of product

Intrinsic determinants
- International advertising objectives
- Relationship between multinational advertiser and advertising agency(ies)
- Creative strategy
- Media strategy
- Other elements of the communication-mix
- Support activities and barriers

'Nature of the product' which is involved in the category of firm environmental determinants are exactly related with the topic of this thesis. Product type (consumer durables in this study) is one of the aspects that affect standardization decision. Papavassiliou and Stathakopoulos (1997) stated that:

> *In the consumer goods category, standardization is considered to be more applicable for durable products than for non-durable products because the latter appeal to tastes, habits and customs that are thought to be unique in each society (Douglas and Urban, 1977). Empirical evidence for this position comes from two studies. First, Farley (1986) concluded from his meta-analysis that durable goods are "relatively advertising insensitive" (i.e. suitable for advertising standardization) in comparison with non-durable goods. Second, Sandler and Shani (1992) surveyed Canadian consumer goods firms about their advertising practices and found advertising to be standardized more for durable than for non-durable goods.*

Therefore, in our case, consumer electronics companies are more suitable for standardization model. This will be analysed with real case study and interview outputs.

3. METHODOLOGY

This chapter starts by explaining which methodology used in the study and the reasons for choosing it. This chapter also contains research purpose, approach and strategy for the study. The sample selection criteria for multiple case study is described. After, it is presented how the primary and secondary data are collected and lastly validity and the reliability of the data.

Many scholars in the literature agree on the methods of research as there are two; qualitative and quantitative. These research methods indicate different data collecting types. These are determinative to choose what is required while conducting a research. The table 3.1 highlights distinct differences between two methods (Saunders, 2009)

Table 3.1 Distinctions between quantitative and qualitative data

Quantitative data	Qualitative data
• Based on meanings derived from numbers	• Based on meanings expressed through words
• Collection results in numerical and standardized data	• Collection results in non-standardized data requiring classification into categories
• Analysis conducted through the use of diagrams and statistics	• Analysis conducted through the use of conceptualisation

This study perfectly matches to qualitative side of research methods. It should also be mentioned that though this study is of qualitative in nature, there are still a few quantitative tools like charts, figures, surveys results etc. as secondary data.

3.1 RESEARCH PURPOSE

Saunders (2009, p.138-139) point out that commonly used research purpose classifications in research literature are exploratory, descriptive and explanatory.

The scholars advise that exploratory type of research is beneficial in terms of finding new vision and approach to subject in a new perspective. This type of research is used when the philosophy is not clear and when the issue and the context are hard to determine and describe (Gummesson, 2002). Saunders (2009) also assert that there are three ways to execute exploratory research. These are:

i.   Literature search
ii.   Interviewing "professionals" related with the topic
iii.   Focus group study

Saunders also cite that exploratory research has a flexibility inherently which doesn't mean that it doesn't have a proper direction. The focus is broad at the beginning and it gets narrower as the research finalizes.

Furthermore, Saunders (2009) declare that descriptive type of research is "to portray an accurate profile of persons, events, or situations" (Robson 2002, p.59). So, it can be a part of exploratory and explanatory research. But only itself as a research can be dangerous and the project tutors can complain about the research that it is very interesting but so what. It requires to go deep in the analysis and to draw conclusion from the descriptive data.

Lastly, Saunders (2009) highlight that researches that constitute a correlation between variables can be named as explanatory research. The purpose here is to find out if there is a relationship between variables or it is a characteristic of them. After all, Saunders (2009) advises to use the combination of these different types of research purposes.

Along these lines, the main purpose of this research is to study the determinants in multinational consumer electronics companies utilise either standardization or adaptation methods in their local marketing strategies. Thus, this study investigate global consumer electronics companies marketing their products internationally. In order to demonstrate the different aspects of standardization and adaptation strategies, descriptive one has naturally been conducted. However, exploratory type has been utilised during interview section to illustrate different company experiences. To draw the conclusion and represent the relationship between those, the explanatory one has been used.

3.2 RESEARCH APPROACH

There are two main types of approaches to the research; deductive and inductive. Deduction can be defined as first developing the theory and hypothesis and then designing a research strategy to test the theory. According to Robson (2002), five sequential stages follow through when deductive research progress:

1 deducing a hypothesis from the theory;
2 expressing the hypothesis in operational terms, which propose a relationship between two specific concepts or variables;
3 testing this operational hypothesis;
4 examining the specific outcome of the inquiry;
5 if necessary, modifying the theory in the light of the findings.

After modifying the theory, the whole cycle should be repeated from the first step in order to verify the findings.

On the other hand, induction can be defined as first collecting the data and, than developing a theory as a result of the data analysis. It is used for building a theory from scratch which is the reverse of deductive approach. There is no prerequisite data collection requirement, so this approach is more flexible.

Deductive approach has been followed in this study as it is more descriptive one. Robson's stages are valid for this study as well. After a long period of literature review, the theory has been structured first. The hypothesis has been set forth and then the research has been realised. The findings have been reanalysed in the light of the first hypothesis.

3.3 RESEARCH STRATEGY

In this part, research strategy which is used in this study is being discussed. According to Saunders (2009), there are seven main strategy that can be employed within a research as follows:

• experiment;

• survey;

• case study;

• action research;

• grounded theory;

• ethnography;

• archival research.

Some of them are explicitly linked to deductive approach, whereas the others to inductive one. Saunders (2009) stress that none of them superior or inferior to one another, and also these shouldn't be considered as being mutually exclusive. Each can be used together in any study.

Robson (2002, p.178) defines case study as "a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence". In this thesis, case study strategy has been employed. As two consumer electronics company have been selected, it can be said that it is multiple case study strategy. Multiple case study gives the opportunity to outline correlations between different cases. Saunders (2009) emphasize the importance of multiple case studies:

> *The rationale for using multiple cases focuses upon the need to establish whether the findings of the first case occur in other cases and, as a consequence, the need to generalise from these findings… multiple case studies may be preferable to a single case study and that, where you choose to use a single case study, you will need to have a strong justification for this choice.*

Saunders (2009) assert that the case study strategy may give unscientific feel, however it is very worthwhile exploring existing theory. Additionally, a well-designed case study research helps researcher to challenge an existing theory, and provide a source of new research questions.

In order to examine a problem deeply, case study strategy can be beneficial as Patton (1987, p.19) states:

> *Case studies are particularly useful where one needs to understand some particular problem or situation in great depth, and where one can identify cases rich in information-rich in the sense that a great deal can be learned from a few exemplars of the phenomenon in question.*

3.4 SAMPLE SELECTION

This study is based on the answers of the interviews conducted with marketing representatives of two global consumer electronics company offices operating in two different regions. First company is Turkey branch of Sony Electronics Corporation which has Japanese roots. The letter one is Singapore branch of Hewlett Packard Enterprise which has USA roots. The reason of choosing these two companies from two different regions is that it might help to compare and contrast the context from different cultures of company management and consumer demand. Two global companies having different perspective of marketing management, plus two different consumer cultures having multiple demands and reactions would help to study to observe how two different companies deal with different cultures.

3.5 DATA COLLECTION METHODS

Two different forms of data have been used in this study which are secondary and primary. Primary data is defined as first-hand information conveyed by a person contributed to a study. Hox (2005) defines primary data as "Data that are collected for the specific research problem at hand, using procedures that fit the research problem best." It means that it is one's own data. On the contrary, secondary data can be defined as an examination and interpretation of primary research. Textbooks, articles, other researches can be a source of secondary data. Especially in literature review section secondary data became prominent in this study. In findings and analysis part, based on the interview primary data sources have been constructed

3.6 METHOD OF INTERVIEW

The interviews in this study have been conducted in a semi-structured way. Saunders (2009) explains semi-structured way of interview as:

> *In semi-structured interviews the researcher will have a list of themes and questions to be covered, although these may vary from interview to interview. This means that you may omit some questions in particular interviews, given a specific organisational context that is encountered in relation to the research topic. The order of questions may also be varied depending on the flow of the conversation. On the other hand, additional questions may be required to explore your research question and objectives given the nature of events within particular organisations. The nature of the questions and the ensuing discussion mean that data will be recorded by audio-recording the conversation or perhaps note taking.*

Semi-structured interview has been selected in this study, because it has many advantages. First, it gives the opportunity to prepare the interview guide beforehand. It also gives freedom to interviewees to express their own ideas in their words. It also creates reliable and comparable qualitative data.

Two interviews have taken place for this study. Both have been executed in the same way. Same interview guide has been performed for both interviews. The participants have been well informed about the purpose of the study, and the content of the questions before the

interview. Also the consent form has been shared to them. They have also been informed that they can request for a copy of this study afterwards. The participants have been asked to answer questions on the paper. Then face to face meetings have taken place in order to go over the replies. One of the meeting has been done via video conference as the participant lives in Singapore. The other interview has been done face to face.

3.7 INTERVIEW CONSTRAINTS

The biggest constraint while conducting the interviews was that one of the participant was living in Singapore, and because of time zone difference it was difficult to have a meeting with the participant. Anyhow it has been done successfully. The other constraint was the number of participant. The first plan was to interview with some other participants, however they kindly refused to do it due to their company's strict non-disclosure agreement policy.

3.8 VALIDITY & RELIABILITY OF DATA COLLECTION

While constructing a study, a researcher should take validity and reliability issues into account. The data, analysis, results, etc. should be accurate and reliable. Here comes the biggest challenge: how to persuade the audiences about the accuracy of the study. To assure that the study is reliable and valid, examination of trustworthiness is necessary. With reliability and validity purposes, the interview guide has been declared as an appendix to this study. Also, interview consent forms of each participant have been attached to appendices part. So it can be assured that the primary data is one hundred percent accurate. Furthermore, both respondents speak English fluently, so there is no open room for any misunderstanding or translation problems.

4. FINDINGS & ANALYSIS

As mentioned before, two global consumer electronics company Sony and HP have been selected for this study as the main aim for the study is to find out how consumer electronics (consumer durables) sector are applying standardization and adaptation models in their marketing strategy. In the following section, company profiles, history and their success story has been shared. Then, the interview part has been exposed divided into four section under 4P mix elements headlines. In the final part, conclusion analysis has taken place including the findings from interview research.

4.1 CASE COMPANY PROFILES

The historical background and profile information of the case studies have been exposed in this chapter. The data has directly been sourced from the internet (Successstory.com, Hp.com, Sony.com and Wikipedia.com) and the validity of the data has been confirmed by interview participants.

4.1.1 HP Company

Hewlett Packard (HP) is one of the biggest multinational Information Technology companies in the world which has American roots and headquartered in Palto, California. The organization was founded by William "Bill" Redington Hewlett and Dave Packard in 1939. The story started in a car garage. The ever first product of HP was an audio oscillator. Today, HP provides hardware and software services to small, medium and large sized businesses in different industries. Additionally, it has a range of IT products to offer B2B and B2C. HP's product line contains PCs, servers, networking products, storage devices, software, printers, and imaging products. There are almost 302.000

employees working in the organization globally. HP's current slogan is 'keep reinventing'.

Successstory.com mentions some of the key milestones of HP since 1938 as follows:

> *HP became a public organization in 1957. In 1961 HP was listed on the New York Stock Exchange. In 1962 HP entered the Fortune 500 list at position 460. HP entered the Asian market in 1963. In 1964, Dave Packard was elected as the CEO and Chairman of the board and Bill Hewlett was elected as the President. In 2002, HP and Compaq merged together and subsequently the company's stock symbol changed to HPQ. In 2010, HP acquired 3PAR, a leading storage provider. In 2011, HP introduced the industries' first wireless mouse. In 2013, HP came with the revolutionary HP data protector 8.1. HP has been in position 80 in the Global 2000 list, called out by Forbes and number 31 in the World's Most Valuable Brands category.*

4.1.2 Sony Company

Sony Corporation was founded by Akio Morita and Masaru Ibuka in 1946 and based in Tokyo, Japan. First it was registered as TTK (Tokyo Telecommunications Engineering Corporation). Sony business includes consumer and professional electronics, gaming, entertainment and financial services. Today, Sony's product line consists televisions, digital imaging, audio/video, semiconductors, electronic components, professional solutions, and medical. Sony is one of the biggest electronics products manufacturers for consumers and professional markets in the world. Sony was ranked as 116th on the 2015 list of Fortune Global 500. Sony's current motto is 'be moved'. Former slogans were 'make.believe' and 'like.no.other'.

They started the business by borrowing $500 for developing consumer products. The very first product was a rice cooker which didn't survive and didn't meet the expectations. The profit was quite low, but they didn't give up to work, and they invested their capital on research. They aimed to develop products which would be useful for Japanese people.

In 1950, they release their first product tape recorder which was a copy of an American model. In 1952, they also embedded a transistor into tape recorder and renamed the

company as Sony which comes from the Latin word 'Sonus' for sound. In 1995, Sony started the production of radios which beat the sales. Sony's next milestone products are in order; video cassette recorder, compact cassette tape player "Walkman", compact disc, video camera, game console "PlayStation", television, smartphone, laptop, and so on. As of 2015, they have more than $75 billion consolidated sales and operating revenue. There are also more than 131.00 employees.

4.2 INTERVIEW ANALYSIS

4.2.1 Product

According to the results of product related answers of both companies, it is pretty clear that no product modifications are being done specific to any local or region.
For both Sony, and HP, there are no different level of product lines for different regions like developing countries, etc. However, regions have full control over product catalogue for retail, traditional dealer channel, and online stores. They have the right to say no to any product in a specific local with some exceptions. For some hero products for instance, headquarters might obligate countries to spend the time and effort to make sure that product gets the desired attention, visibility, and sales, but generally speaking, countries are free to fine tune their product catalogue.

They don't do country based modifications to the products, only the packaging which is mostly the legal stuff. They translate user manuals, and include local warranty papers in the box.

While choosing the right products to launch in a country, they consider the competition in a particular country, average order size, short and long term goals they have in that market. Country sales managers have the say in this as they know the country and the circumstances the best.

Both companies' headquarters collect feedback from countries while designing a new product range. Each country's customer service department are gathering end-user feedbacks, compliant, and suggestions. They report these information annually to the regional head offices. This helps upcoming products to be designed according to the global needs of consumers. As mentioned, local consumer needs are taken into consideration, however they are combined and used for the new product range.

Based on the outcome of the product section, it can be said that typical standardization method has been applied which is proving that consumer durable products do not require adaptation as much as consumer non-durables.

4.2.2 Price

On HP side, price structure is decided from top to bottom. The prices are set together with GTM head and headquarter, they mostly stick to global pricing strategy. On Sony side, it is more flexible, however it is still equivalent to global strategy. Competition is taken into consideration locally, but it has an effect of 10% only. Global pricing is followed in both companies mostly. This is becoming stricter every year in order to control parallel import and export activities between different countries. Countries do not really have much control in pricing, although each country has different gross profit and expenses ratio. Both companies have fixed FOB prices, however distribution channel differs in each country. There are different levels of sales channel in each country. For example in Singapore, traditional channel is operating smoothly, whereas it is far complicated in Turkey. It is not always so easy to control SRP. Besides, it is illegal to intervene to the sales chain with the aim of price control, due to competition council which is operating in both countries. There are also different taxing rules in each country. At the final stage, prices are not stable, however the aim and the ideal of the companies is to keep the prices standard all over the globe. Price structure starting from FOB to SRP, is determined by the head offices. In conclusion, it is obvious that pricing is standardized as well as product.

4.2.3 Promotion

In terms of sales promotion, countries have the full control. On HP side, they are planning various sales promotions locally, it can be a discount (not too often), a freebie offered as a bundle (3 year unlimited data, MacAfee internet security, accessories, etc.), or it can be back to school campaign. They run all sorts of campaigns such as discount, hard & soft bundling, stock clearance. Usually in a given quarter, they run one clearance, couple of discount campaigns (nothing aggressive though, just 10%). But this also depends on country's holidays. For instance, Chinese New Year is big in Hong Kong and China, but not so much in Malaysia or Indonesia. Overall, every country has a few holiday centric campaigns. They work closely with regional head office to make sure that they run effective and successful campaigns. Although they plan different sales campaigns, they beware to really run aggressive discount campaigns. They try to focus on the customer experience rather than being a discount brand.

On Sony side as well, sales promotions are planned locally. They plan quarterly campaigns, taking seasonal periods like new year, back to school, valentine's day, etc. into consideration. They also track local competitor activities, and take actions accordingly.

Speaking about PR activities, both companies have separate PR teams in local offices working with local PR agencies. However most of the product focused PR materials are all standardized globally. Press releases are prepared by head offices and translated and distributed in local offices. Local PR agencies also prepare ad hoc materials. So we can say that PR side is half standardized, half adapted.

Regarding advertisement activities, Sony Turkey is more dependent on global advertisement assets. They work with local advertisement agencies, however they utilise global material. They have a global rich content media gallery in which there is almost unlimited rich content available for their usage. They have to follow global guidelines while creating any printed or online material. In case of a new product launch, advertisement materials like videos, fliers, brochure designs, slogans, key messages etc.

are provided by global head office, and countries mostly translate the messages and push them live. A related example can be seen at figure 4.1 and 4.2.

Figure 4.1 Global TV commercial asset for a new product series of Sony

Source: https://www.youtube.com/watch?v=DFM4DSJHs5w
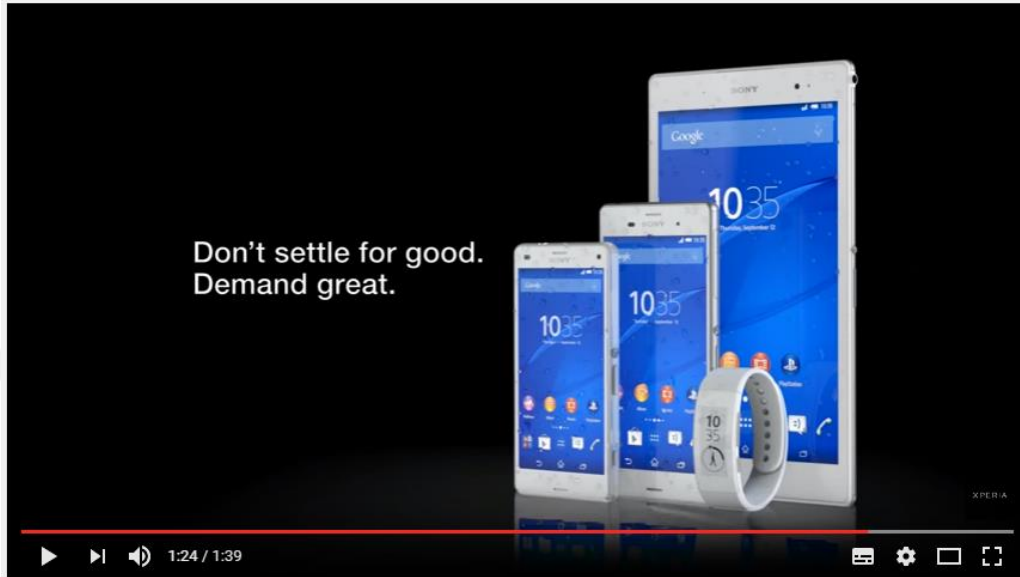
Figure 4.2 TV commercial asset for a new product series of Sony broadcasted in Turkey


Source: https://www.youtube.com/watch?v=LYvGK46aMO8

Even they don't have to get approval for each advertisement activity, they store all locally prepared materials and report them to head office regularly. They are briefed continuously about any changes, they know how to utilise the content and follow the guidelines as they have online education procedures. They also travel a lot, have quarterly marketing gatherings in regional head offices.

Their local website is run by a regional content team. New product pages are created and localized into regional languages centrally. Translation is produced by an agency, and Sony Turkey office can only do proofreading and submit the change requests related with the content to the regional team. They can also request to the team to insert some locale content for news section of the website. Nowadays there is a global web transformation project. With the help of this project, all Sony websites will be managed by one hand. The main idea of this project was to reduce the cost and provide consistency globally, however they suspect about the cost efficiency as they noticed that for some countries like China, it is more cost effective to run the website locally, as the human workforce is cheaper there.

On HP side, the situation is reverse that they produce 75 percent of the advertisement assets locally rather than utilising global content. They also have a global rich content media gallery, and they get use of it. But their regional content team work with various agencies in different countries and create their own content. Photo shoots, videos are taking place locally. But they transfer the raw data of the works within countries. A related example can been seen at figure 4.3. It is a photoshoot which is initiated by the marketing team of HP Singapore. It is planned and budgeted by the Singapore office. Although they undertake the production of the assets, they have to follow up guidelines, and get confirmation on the works they do from global marketing team. So they have to catch the global standards in terms of creative assets to some extent. This approval process is slowing down the operations. And also it is a cost burden on the local office. They plan their advertisement and promotion budget based on the sales turnover, but at the end, it is decreasing the profit. As of next fiscal year, they are planning to minimise creative asset production cost which will turn their strategy into standardization model.

Figure 4.3 Local advertisement production asset of HP Singapore

*Source: https://www.facebook.com/HPsingapore/videos*
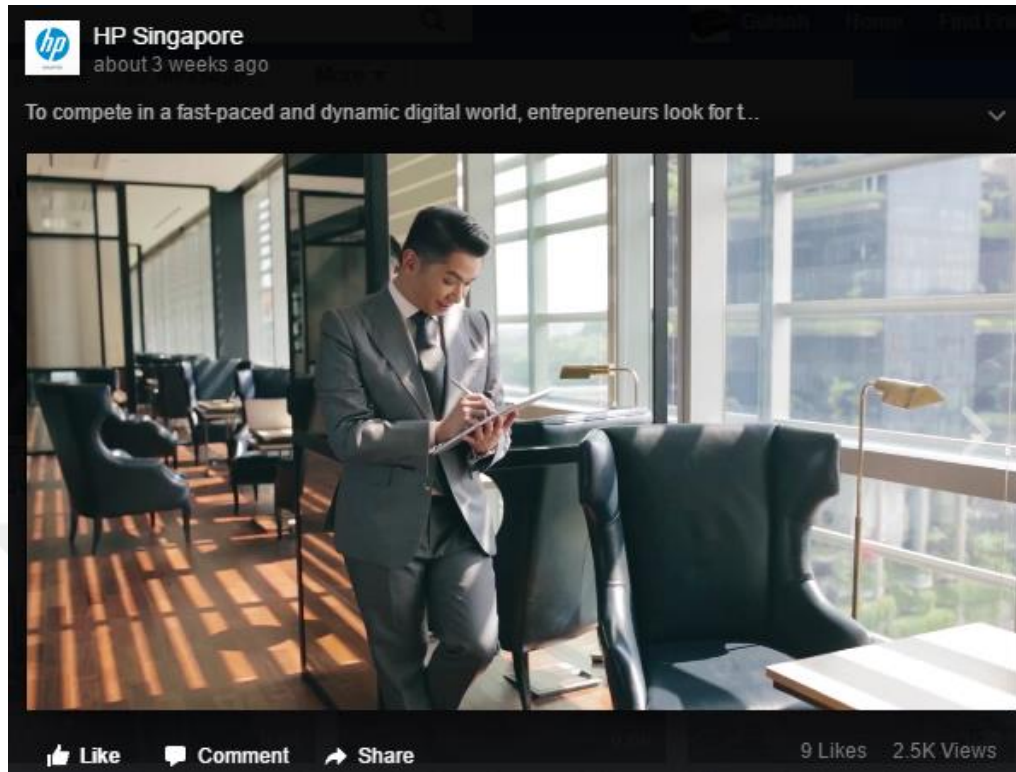
Both companies act locally in terms of social media activities. Newsfeeds, viral videos, social media campaigns are all created locally for both of them. But they say that the things started to change recently. Social media is a new media for everybody. The importance and the power of it have just been understood, and new actions are taking in place, more restrictions are brought from top to down. Head offices started to monitor their locale activities.

In terms of promotion, public relations and advertisement are half standardized. Sales promotions and social media activities are adapted. Also online content marketing is standardized. So it can be said that promotion activities are roughly half standardized, and half adapted.

4.2.4 Place

Distribution channel is structured all locally for both companies. They reported that depending on the country, distribution channel might vary. HP in Singapore and Sony in Turkey, they both work with distributor. They both have a direct model and work with DC and fulfil the orders. Sony also keeps the stock in its own warehouse as well in Turkey with a local warehouse company, whereas HP doesn't own any warehouse anywhere. Both countries have both traditional and modern sales channel. Modern channel has similar patterns in both countries. Modern channel is including retail stores, and online sales for both countries. Regarding traditional channel, they have different structures which are special to the market condition in each country. There are different levels of traditional sales channel in each company. As it is clearly seen at figure 4.4, in Singapore traditional channel is operating smoothly. There is no other intermediaries, or nobody damages this chain. On the other side, Sony Turkey has to deal with different relations of sales in traditional channel. The chain can be seen at figure 4.5. Distributor can sell to wholesalers, dec wholesalers, and dealers at the same time. So it is not always so easy to control the prices as mentioned before. There are even some cases that dealers buy from retail stores in campaign periods. So it can be said that distribution channel is fully adapted to local situations in both companies.

Figure 4.4 Traditional channel structure of HP Singapore
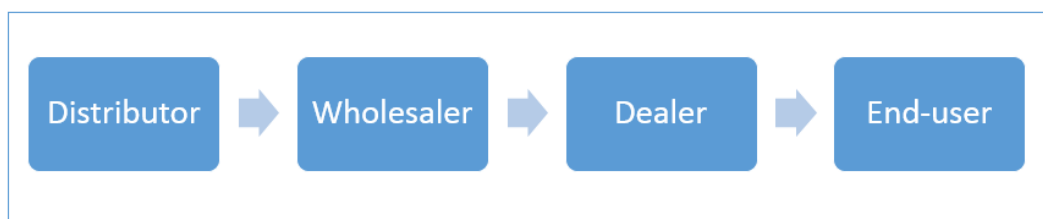
Source: the Author

Figure 4.5 Traditional channel structure of Sony Turkey
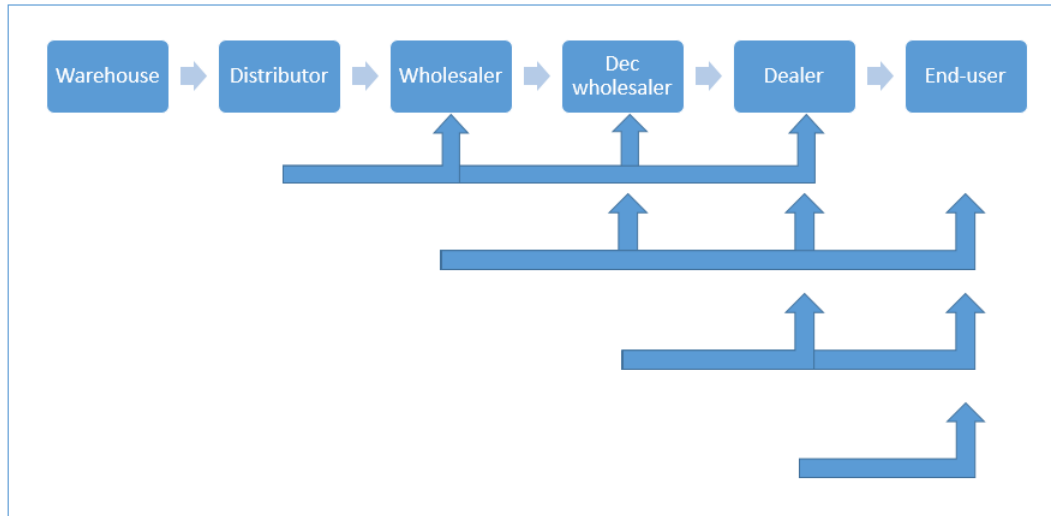
Source: the Author

5. DISCUSSION

The main aim of this thesis was to verify "how subsidiaries of global consumer electronics companies build their local marketing strategy and which marketing model dominate their strategy; standardization or adaptation?" To research and investigate this topic, three research questions are determined.

Question 1:

What are the factors that affect the decision whether to standardize or to adapt?

Question 2:

Which of the marketing mix elements prone to be standardized or adapted in global companies, and to what extend?

Question 3:

What are the main marketing standardization tendencies in consumer electronics sector?

In the research, it is explored how two different global brands in the consumer electronics industry have been affected by marketing strategies of standardization and adaptation. Two different branch offices operating in Turkey and Singapore have been focused. There were two interviews conducted with the marketing representatives of Sony Turkey and HP Singapore. Both interviews were face to face, and participants were previously informed about the questions via email. They were also asked to sign consent of declaration permitting to announce their names and company names on this research.

The interview questions have been collected to fit under the four headlines product, price, promotion, place which are corresponding to the marketing mix elements. However, over all questions were chosen to analyse main three questions of the research which are listed in this section. In findings & analysis section, the outcome of the interviews have been revealed under four marketing mix elements as a theme. In discussion section, the outcome of the interview will be analysed to answer the main

objective questions of the study. Semi-structured interviews were used as a part of qualitative research as it is allowing the researcher and the participants to share their opinions and approach to the topic as detailed as an in depth study. Every main study questions will now be evaluated and reviewed in the light of the data findings and the literature review.

Question 1: What are the factors that affect the decision whether to standardize or to adapt?

The first question was selected in accordance to the measurement of the factors which are affecting the decision whether to standardize or adapt marketing mix elements. In order to achieve this, all marketing mix elements have been evaluated with the help of the previous researches and the relevant questions during the interview sessions.

Both interview participants have been subjected to same questions related with the decision making process on whether to standardize or adapt. The outcome of the analysis has been summarized in the table 5.1. There are some factors which are leading marketers to follow some strategies. These are changing depending on the elements. For product element for instance, standardization is relatively followed due to the factor of cost effectiveness. Although the factors depend on the element, we can list the factors under standardization and adaptation categories. For standardization, we can list the factors as; economies of scale in production, global uniformity, easy to control, cost effective. For adaptation, we can list the factors as; cultural differences, legal issues, local market conditions

Table 5.1 Factors effecting the decision on standardization vs. adaptation

Marketing Mix Elements	S/A Application	Sony	HP	Factors
Product	Product modification according to locale	Standardized	Standardized	Economies of scale in production
	Product packaging, user manuals, warranty materials	Adapted	Adapted	Legal
	Product line generation according to locale	Adapted	Adapted	Competition, differences in physical condition, economic differences
	R&D	Standardized	Standardized	Cost effective
Price	Pricing strategy	Standardized	Standardized	Economic differences
Promotion	Sales promotions	Adapted	Adapted	Competition, sociological
	Public relation operations	%50 Standardized %50 Adapted	%50 Standardized %50 Adapted	Culture
	Advertisement	Standardized	Standardized	Cost effective, easy to control, global uniformity
	Online content marketing	Standardized	Standardized	Cost effective, easy to control, global uniformity
	Social media marketing	Adapted	Adapted	Culture
Place	Distribution channel	Adapted	Adapted	Market conditions

Source: the Author

Question 2: Which of the marketing mix elements prone to be standardized or adapted in global companies, and to what extend?

The second question was determined to investigate which strategy in terms of standardization vs adaptation, is more commonly used in which marketing mix elements in multinational company subsidiaries of consumer electronics sector. According to the results of the interview and the literature research, marketing mix elements have been analysed in two different consumer electronics company in order to see which strategy is more applicable for each element and to try to find the best practice for each as well. In table 5.1, an outcome of the interview result has been shared. It is quite surprising to see that both companies have parallel approaches in their marketing strategy. There is no contradictory results for any segments. So it is helping us to draw a conclusion for the current mechanism in consumer electronics companies.

It can be said that product element is almost standardized with some little exceptions like product line generation according to the locale. Both companies have a global product catalogue and there are no product modifications specific to any locale. But the local offices have a saying while they choose the products to carry into their country. Still standardization approach is more outstanding in product element operations of both companies. When the big R&D and production costs are taken into account, standardization is the most sensible strategy in terms of product element for a global scale company, so it is almost easiest to standardize in every respect.

On the other hand, price element is completely standardized in both companies. Global pricing strategy is the determinant here. Although each country has different gross profit, expenses ratio and taxing system, they have to follow up global pricing level in order to eliminate parallel import activities. Both companies are trying to keep the end-user prices stable everywhere, although they encounter some problems while achieving this. This makes the price element one of the most difficult to standardize among others.

In terms of promotion, case companies seem to apply standardization and adaptation to some extent. Promotion is actually one of the convenient elements in relation to standardization, apart from sales promotions. Sales promotions are decided locally unless it is a global campaign which is not very usual. Others like advertisement, content management, PR and social media are more prone to be standardized as they already are partly.

Regarding place, traditional channel is shaped according to country, so it is required to be adapted in order to exist in it. Therefore place doesn't seem to be convenient for standardization approach now and in near future.

To summarize, standardization approach is more applicable in product, price and promotion elements, whereas place element is required to be adapted to the local market conditions.

Question 3: What are the main marketing standardization tendencies in consumer electronics sector?

The third question was determined to investigate the main tendencies in marketing of consumer electronics companies in terms of standardization vs adaptation strategies. The main aim here was to examine how global companies currently operate, and secondly to find the best practice for consumer electronics companies for future reference. The answers of the interview participants helped to picturize the current situation in global consumer electronics companies. Both the interviews and the inferences from the previous researches also helped to construct a vision on the best practice proposals for future reference.

As for the current results of interviews, it can be said that standardization seems to be the most prominent with some exceptions in place and promotion elements. Consumer electronics companies mainly act standardized in marketing operations of local subsidiaries. Case study companies Sony Turkey and HP Singapore act parallel in each marketing operation which are more prone to standardization strategy.

Every different sector has its own dynamics. Strategies may also vary in each sector due to market conditions, nature of the product, and consumer demand. When it comes to the technology sector, the consumer demand and the cultural reactions can diversify. Technology is a men made phenomena, it is not like an organic food, or a need of clothing. It has even no more than one hundred years of a history in people's lives. So it can't be expected to fit into each cultural environment. As Jobs (1998) quotes that "It is really hard to design a product by focus groups. A lot of times, people don't know what they want until you show it to them." The companies should understand that they should produce such products that every culture may want to adapt itself to those. Consumer demand is important in terms of area of usage. A product must have at least one usage area which people require. However it shouldn't be the only stimulus for the companies while they design a product. They should design technologies which create their own culture so that people want to attain themselves into those, instead of producing a product which is fitting into the local culture. A new product can create a new life style. Products are not for only fulfilling the basic needs of a person, they should also help people to feel themselves to be attained to a social group. Consumers are in a never ending pursuit of completeness. They want to complete themselves with the consumption. Consumer electronics brands should offer them a new life style coming with the product. Nature of the product plays a big role here. Technology has nothing to do about tastes, habits, customs that taught to be unique in each society as stated by Papavassiliou and Stathakopoulos (1997). It is coming from the nature of durable products sector which distinguishes it from FMCG, or service sector. When a person wants to buy a new mobile phone, the only need of him or her might not be the speaking on the phone. He or she wants to be involved in a specific brand experience. Mobile phone is a product of high technology which has recently been introduced to consumers. So it doesn't relate to any culture, or society. It is a new age cultural item. So it doesn't require any adaptation except

for translation of menu, user guide, warranty declaration, or customer services. A little touch of adaptation is quite applicable for a product like a mobile phone.

Finally, it can be claimed that standardization is more applicable and essential for durable product brands when compared to non-durables. Even though, there are some operations in marketing which still require adaptation, companies should find the proper path to minimise the costs, to plan and control the operations easily, and to obtain global uniformity. Standardization would be the best model when taking those factors into account.

6. CONCLUSION

6.1 ANSWER TO THE PURPOSE

The main purpose of this thesis was to find out the determinants on whether to choose standardization or adaptation approach in marketing strategies of global consumer electronics company subsidiaries. Main objectives have been achieved successfully. On top of them, a comprehensive literature review has been done and standardization and adaptation models have been discussed in detail. The main researches about the topic have been presented. Later on, semi-constructed interviews have been conducted, and the outcome helped to sort out the main reasons which are affecting the decision on whether to standardize or adapt, and diagnosing which models are commonly used in marketing mix elements. The study concludes by discussing the research findings and their implications for management and future studies.

6.2 REFLECTIONS

Both companies' product and pricing elements are shaped with standardization approach. They don't have any different product lines specific to different regions and they don't do any customization to the products when carrying to countries. They can only chose which product models to carry with some exceptions. In pricing, they are mainly dependent on the local top management and headquarter decision which is almost standardized in every countries. Therefore, product and price elements are fully standardized. In terms of promotion, public relations are half standardized, advertisement is half standardized and sales promotions are adapted. So it can be said that promotion activities are half standardized, and half adapted. Speaking about place element, country subsidiaries follow their own local model without depending on any top to down decision and it is fully adapted. To summarize, combination strategy is shaping their marketing strategy, however standardization elements dominate their

overall strategy. As it is also summarized at the Table 6.1, in consumer electronics industry, standardization approach seems to be followed dominantly.

Table 6.1 Standardization vs. adaptation approach in marketing mix elements

Marketing Mix Elements	Sony	HP
Product	Standardized	Standardized
Price	Standardized	Standardized
Promotion	%50 Standardized %50 Adapted	%50 Standardized %50 Adapted
Place	Adapted	Adapted

Source: the Author

6.3 OUTCOME

With the help of this study, we can draw conclusions on the standardization vs adaptation elements in marketing mix of two consumer electronics company subsidiaries operating in two different locale. It can be said that standardization is more suitable for consumer electronics companies compared to other industries. Although some parts in place element like distribution channel, sales shops, logistics etc. still require relatively adaptation, companies should try to reach to standardization as an ideal model in each element due to the factors such as cost effectiveness, global uniformity, economies of scale in production, easier planning and control.

6.4 IMPLICATIONS FOR FURTHER RESEARCH

With the help of this study, we can draw conclusions on the standardization vs adaptation elements in marketing mix of two big consumer electronic companies like Sony and HP. They are both successful at harmonizing both strategies, however standardization seems to come into prominence. After all, to understand if this study

could be referenced by other consumer electronics companies, further studies should be run:

- Compare how several companies deal with cultural differences in the same national market. In this thesis, two different company subsidiaries in two different countries have been compared, but it could broaden horizons to compare different companies in the same country.

- Compare how companies in different sizes deal with cultural differences in international markets. Actually, both Sony and HP are similar in terms of size, prevalence and brand awareness. Comparison of a big company and a medium business enterprise would give more clues on seeing which path small companies follow and which strategies they run while going global.

- Compare how companies in different sectors manage cultural differences in global markets. In this study, only consumer electronics industry has been addressed.

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APPENDICES

APPENDIX 1: Interview Consent Form

Dear Participant,

My name is Gülşah Akbaytürk, I am an MBA student at Bahcesehir University and I am writing a thesis and making a research on standardization vs adaptation determinants in marketing strategy of multinational company subsidiaries of consumer electronics.

I would like to draw attention to these points before we agree to conduct this interview:

a) You agree to be interviewed for the purposes of the student research

b) Your participation is voluntary

c) The purpose and nature of the interview has been explained to you

d) You are free to skip any questions you don't want to answer

e) Any data recorded during this interview will only be a part of this thesis research

f) I agree that my company's name and my name may be used for and only for the thesis research

You can request for a copy of thesis on this email gulsahokmen@gmail.com

I thank you for taking part in my research.

Participant Name: Dize Purde
Participant Title: Assistant Marketing Manager
Participant Company: Sony – Turkey Branch
Date: 09.02.2016

APPENDIX 2: Interview Consent Form

Dear Participant,

My name is Gülşah Akbaytürk, I am an MBA student at Bahçesehir University and I am writing a thesis and making a research on standardization vs adaptation determinants in marketing strategy of multinational company subsidiaries of consumer electronics.

I would like to draw attention to these points before we agree to conduct this interview:

a) You agree to be interviewed for the purposes of the student research

b) Your participation is voluntary

c) The purpose and nature of the interview has been explained to you

d) You are free to skip any questions you don't want to answer

e) Any data recorded during this interview will only be a part of this thesis research

f) I agree that my company's name and my name may be used for and only for the thesis research

You can request for a copy of thesis on this email gulsahokmen@gmail.com

I thank you for taking part in my research.

Participant Name: Osman Aydoğan
Participant Title: Head of E-Commerce
Participant Company: HP – Singapore Branch
Date: 17.02.2016

APPENDIX 3: Interview guide

1) What are your name/position/title in the company?

2) What is your product range?

3) Why and when did your company go international?

4) In how many countries do you have sales offices?

5) Who are your customers, both locally and globally?

6) Who are your competitors?

7) What is the company's growth rate in recent years?

8) Changes/problems due to being a multinational company?

9) You can add some important ideas about the company

Questions

Product

- How do you build your product line? Are you playing an active role while choosing products to carry into your country? Or, are you forced to carry any product which is envisioned by your head office?

- As a global company, do you have different level of product lines, specific to any region like developing countries, etc.?

- How do you make the decision while you are choosing the best products to be launched in your country? Do you take local consumer behaviour, cultural demand, etc. into account?

- Do you make any modifications to products which are specific to your country?

- Does your head office collect your feedback while designing a new product range?

Price

- How do you build your price structure in your country? Are you playing an active role while setting the price structure in your country? Or, are you forced to set any price which is envisioned by your head office?

- How do you make the decision while you are choosing the best price structure for your products in your country? Do you consider competition, positioning, penetration, etc.?

Promotion

- How do you build your promotion strategy in your country? Are you playing an active role while creating the promotion plan in your country? Or, are you forced to set promotion plan which is envisioned by your head office?

- How do you make the decision while you are creating the promotion plan in your country? Is it directly controlled by the head office, or are you independently create your promotion plan? Do you get approval from head office for each promotion activity?

- What are the main factors whether to standardize or adapt your promotion plan; cost, time, uniformity, competitors, culture?

- How do you manage your advertising in your country? Are you totally committed to global advertisement content? Do you ever do local advertising by creating a content from scratch? What is the ratio of local content compared to global content?

- Do you have a local creative agency partner and what kind of activities they are handling?

- Do you have a global rich content media gallery for local usage?

- How do you manage your public relations in your country? Do you have a local PR agency partner? Do you decide PR activities locally, or do you have global roadmap restricted by head office?

- How do you manage your sales promotion campaigns in your country? What is the frequency of them? What type of campaigns do you announce; price reduction, bundling, stock clearance, etc?

Distribution

- How do you build your distribution channel in your country? Are you playing an active role while managing distribution channel in your country operations? Or, are you forced to follow a distribution channel which is envisioned by your head office?

- How do you make the decision while you are mapping distribution channel in your country? Do you take local distribution trends into account?

Summary

- To summarize, how do you evaluate your company's marketing strategy in terms of standardization vs adaptation?

- Can you say that you have the full control of your marketing strategy as a local office?

- Do you think that the cultural differences and the local environment impact your decision on whether to standardize of adapt your marketing activities?

- Would you like to add something?

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