
THE GLOCAL STRATEGY OF GLOBAL BRANDS

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Abstract:

A few years ago, globalization was the new paradigm in international business, however from a branding perspective it has lost its initial efficiency giving the fact that consumers do not seem to feel a connection anymore with the standardized products of global corporations, catered to them in mass marketing communication programs. With their centralized decision making, most companies simply stopped having a connection with the new global marketplace and neglected its emergence. Hence, the influence of local characteristics arose, and with that a new term that encapsulates the global and the local – glocal. “Glocalization” encourages companies to “think global, act local”, and they could do so by using the global brand, while localizing certain elements of that brand in order to suit a particular country.

Keywords: *global brands, globalization, glocal strategy, glocal marketing.*

1. Introduction

In 1983, Theodore Levitt published a provocative Harvard Business Review article entitled “The Globalization of Markets”, in which he stated that a new global market, based on uniform products and services, had emerged. He asserted that large scale companies have stopped emphasizing on the customization of their offers to providing globally standardized products that are advanced, functional, reliable and low priced. He argued that informed customers were heading toward a “convergence of tastes”; thus corporations should exploit the “economics of simplicity” and he maintained that the future belonged to global corporations that did not cater to local differences in taste but, instead, adopted strategies that „operated as if the entire world (or major regions of it) were a single entity; such an organization sells the same things in the same way everywhere”. If a company forces costs and prices down and pushes quality and reliability up – while maintaining reasonable concern for suitability – customers will prefer its world-standardized products (Levitt, 1983). “Everywhere everything gets more and more like everything else as the world’s preference structure

is relentlessly homogenized". In his article, Levitt used a lot of examples that represent the definition of globalization like Coca Cola, Pepsi, McDonald's; and that made the article even more credible.

Indeed, the term globalization was first coined by Levitt in the article stated above, and gained a lot of ground in the economic environment. Although Levitt did not explicitly discuss branding, managers interpreted his ideas to mean that transnational companies should standardize products, packaging, and communication to achieve a least-common-denominator positioning that would be effective across cultures (Holt, Quelch, Taylor, 2004).

But even though for a while selling standardized products and services was a good strategy, the world evolved and customers stopped feeling a connection with the generic products and communications. And now, even the products that were synonyms with 'globalization' took a different approach. For instance, Coca-Cola, the firm often portrayed as the exemplar of the standardized product, has found that its increasingly standardized strategy had run its course. According to Coca-Cola's former chair Douglas Daft: "The world had changed, and we had not. The world was demanding greater flexibility, responsiveness and local sensitivity, while we were further consolidating decision making and standardizing our practices. The next big evolutionary step of 'going global' now has to be 'going local' " (Ball, 2003). The tuition for Coke learning was its loss of international market share to its competition, both global and local.

2. Global, Local and Glocal Strategies

Nowadays, global corporations face difficult decisions regarding what marketing strategy to adopt. Global marketing strategies aim to maximize standardization, homogenization and integration of marketing activities across markets throughout the world. (Kotler, 2009) However, global marketers must address a number of issues in their marketing strategy to ensure their brand will be successful worldwide. Examples of such issues include differences in the economic, political, social and cultural environment around the world.

While the theory of standardization of marketing activities works on a strategic level, it is often not suitable for the richness of detail needed on operative and tactical levels. Most marketing activities will be more successful when adapted to local conditions and circumstances in the marketplace. In this way a pure global marketing strategy is not ideal as it does not take locally related issues into account. Marketers need to understand how their brand is meeting the needs of customers and how successful their marketing efforts are in individual countries (Kotler, 2009).

Multinational marketers face challenges of creating marketing and advertising programs capable of communicating effectively with a diversity of target markets. To assist in this imposing task, various frameworks have been developed to determine the

degree to which marketing and advertising efforts should be either globalized or localize, or mixed or combined.

The following table presents a framework that focuses on five marketing strategies available to a firm contemplating doing business on a global basis. A firm might decide to either standardize or localize its products, either standardize or localize its communications programs, or combine the two. The five possibilities that this decision framework considers range from a company incorporating a ‘global strategy’ (standardizing both product and communication program) to developing a completely ‘local strategy’ (customizing both the product and communication program) for each unique market (Schiffman, Lazar Kanuk, 2009). In the middle are the two mixed strategies and on the last row the strategies are combines. These three strategies have developed into ‘glocal strategies’.

Table 1. A Framework for Alternative Global Marketing Strategies (Adapted from Schiffman and Lazar Kanuk, 2009, p. 472)

PRODUCT STRATEGY	COMMUNICATION STRATEGY	
	Standardized Communications	Localized Communications
Standardized Product	Global Strategy: Uniform Product / Uniform Message	Glocal Strategy: Uniform Product / Customized Message
Localized Product	Glocal Strategy: Customized Product / Uniform Message	Local Strategy: Customized Product / Customized Message
	Glocal Strategy : Customized Product / Customized Message	

“Glocal strategy” refers to the idea of “think global, act local”, and, as is shown in the table above, it represents a middle way between the global and the local strategies.

Table 2. The Maxims for Local, Global and Glocal

Local	Thinking locally, acting locally
Global	Thinking globally, acting globally
Glocal	Thinking globally, acting locally

In other words, successful corporations must develop a **glocal** strategy, by utilizing their global experiences and then customizing and tailoring their services and products in such a way that would appeal to local markets. This should not apply just for product design or communications, as presented above; it has to incorporate branding and all of the seven variables from the marketing mix, whenever possible.



Figure 1. The Formation of Glocalization

A glocal strategy standardizes certain core elements and localizes other elements. It is a compromise between global and domestic marketing strategies. Glocal marketing reflects both the ideal of pure global marketing strategy and the recognition that locally related issues of marketing activities need to be considered. In other words, the concept prescribes that in order to be successful globally, marketing managers must act locally in the different markets they choose to enter. In a global strategy, the corporate level gives strategic direction while local units focus on the local customer differences. (Kotler, 2009)

The term “glocalization” first appeared in the late 1980s in Harvard Business Review articles, written by Japanese economists, and comes from the Japanese word dochakuka. The Japanese ideographs “do”, “chaku” and “ka” means respectively “land”, “arrive” and “process of” in English. Roland Robertson, who is credited with popularizing the term, describes glocalization as „the tempering effects of local conditions on global pressures” and that it means “the simultaneity – the co-presence – of both universalizing and particularizing tendencies.” (Khondker, 2004).

The author Thomas Friedman defines glocalization as “the ability of a culture, when it encounters other strong cultures, to absorb influences that naturally fit into and can enrich the culture, to resist those things that are truly alien, and to compartmentalize those things that, while different, can nevertheless be enjoyed and celebrated as different” (Friedman, 1999). Glocalization, then, seems to be the art of attaining a fine balance of assimilating foreign influences into a society that add to its diversity without overwhelming it.

Foglio and Stanevicius (Foglio, Stanevicius, 2007) define these five items as glocalization;

- a way to supplement globalization and localization synergy ally and strategically;

- a system to manage the approach to the glocal market (global/local market);
- the capacity to remain rooted strongly in the local reality, also facing the global market;
- the chance of articulating in global and local (glocal) key the chain of the value (system of activities)
- developed by the enterprise to plan, produce, sell his products or services);
- a method which allows the local or global enterprise to arrive in optimum way respectively to the global or the local market.

For a better understanding of the concepts evaluated in this paper, the following table highlights the differences between globalization, localization and glocalization.

Table 3: Differences between Globalization, Localization and Glocalization

Globalization	Localization	Glocalization
Definition: “the tendency toward an international integration of goods, technology, information, labor, capital, or the process of making this integration”	Definition: “the process of adapting a product or service to a particular culture, language, developing a local appeal and satisfying local needs”	Definition: “providing a global offer (brand, idea, product, service, etc), while taking local related issues into account”
<ul style="list-style-type: none"> • Undifferentiation and convergence in customer preferences and income across target countries with economic development and trade • Takes into account mass demand • Globalism • Quantity • International brand awareness • Cost benefits from standardization • Falling costs of trade with greater globalization 	<ul style="list-style-type: none"> • Differentiation - differences in customer preferences and income across target countries • Takes into account specific demand • Localism • Quality and values • Local brand recognition • Competition from both successful domestic products and international brands • High costs of trade create separate markets 	<ul style="list-style-type: none"> • Utilizing global experiences or a global brand name, and differentiating the offer in order to appeal to local markets • Operates within a global market and local market niches • Integrating both globalism and localism • Integrating quality and values in a product, that gets sold in large quantities • High notoriety of the brand • A glocal product / service can face competition from both local and international brands in a better way because it meets certain local needs or preferences, at lower costs due to the global edge of the company

Phillip Kotler elaborated certain advantages of glocal marketing (Kotler, 2009), as follows:

- Consumers feel that the brand is relevant to them and is tailored to their needs and wants.
- There is harmony and balance between the different levels of marketing activity: strategic, tactical and operative.
- Brands gain greater market share.

In the past years, as sales plunged, global - brand corporations started to pay more attention and listen to their local business partners about how to adapt product attributes and advertising messages to local tastes. Glocal marketing or brand managers have the task of balancing demands from headquarters with those of local branches and taking full advantage of local expertise, knowledge and information. So, some transnational companies began delegating more authority over product development and marketing to local managers, or in other cases, they started developing and promoting local executives to take over local firms.

Meanwhile, U.S. multinationals like Philip Morris and Coca-Cola ramped up their acquisition of local brands—for the same reasons that investors diversify a stock portfolio. Today, two-thirds of Coca-Cola's sales in Japan are from local beverage brands, and the company now owns more than 100 local beverage brands worldwide. In some cases, the global-brand owners are financing totally separate companies. Unilever India, for example, has set up the freestanding Wheel organization as a low-cost enterprise that markets quality, low-priced local brands to the mass market (Quelch, 2003).

Glocal marketing allows for local and global marketing activities to be optimized simultaneously. Nowadays, global companies understand that they often need to customize their products or services to a certain extent (Kotler, 2009).

In the following section, we presented certain glocal tactics, related to glocal strategies, that global corporation undertook in order to adapt and localize in different regions and countries. These examples are developed in connection with the four variables from the marketing mix.

3. Glocal tactics, of glocal strategies, developed in connection with the four variables from the marketing mix (Product, Price, Promotion, Distribution)

Product

- McDonald's, a globalization stereotype, has adapted its global marketing to different regions or countries. For instance, the fast-food chain has beer in its product range in Germany, wine in France, mutton pies in Australia and McSpaghetti in Philippines. Also, it provides Maharaja Mac and Veggie McNuggets

in India, which is made of lamb or chicken; the McLobster in Canada and, in Japan, the Ebi Filit-O, a kind of shrimp burger, Teriyaki Burger in Japan / Malaysia, Burger served with rice in Indonesia / Philippines, Samurai Pork Burger in Thailand, McLaks (grilled salmon) in Norway and McHuero (poached hamburger) in Uruguay.

- Fanta offers country-specific flavours. In Romania 'Fanta Shokata' is available based on the socata, which is a traditional cordial made from elderflower. In China consumers enjoy green apple Fanta, while Portugal and Spain have watermelon Fanta.
- Nokia, a global telephone brand, due to the fact that there is a lot of dust in India that damages the phones, adapted its offers with an anti-dust keypad specially made for that market.
- When Procter & Gamble arrived into the Nigerian market, it introduced products that were differentiated by size. Their Ariel detergents could be bought in sachets, at sizes many families could easily afford. Ariel became very popular and soon other brands introduced sachets, however Ariel remained a favorite among consumer because it provided them with a new choice.
- For the Chinese market, Danone had to change its product base to a less lactose-based yogurt, because the Chinese are lactose intolerant.
- Fashion retailer H&M had to change its product range in the United States, giving the fact that the US male customers were less fashion conscious than their European counterparts.
- There is now a Volkswagen car with a compass for pointing towards Mecca and a shelf for the Koran; thus Volkswagen is a very popular market within the muslim community, because it acknowledged their culture
- Coca-Cola Japan boasts the richest portfolio of beverages, comprised of sparkling drinks and still beverages such as juices, tea beverage Sokenbicha, canned coffee Georgia, sports drinks Aquarius and water.
- PepsiCo has different snacks in its portfolio, and these tailored to different countries. For example, the most popular snack is the cheese-onions in United Kingdom, the Lemon Lays in Thailand, Paprika Lays in Germany, Sea-food Lays in China.
- Facebook approached the e-market with a 'one-size-fits-all' strategy, but now is facing the realities of cultural difference. In the US – the country of origin – having lots of friends is culturally acceptable and even encouraged. In Japan however, having more than 50 friends indicates that you are superficial. Therefore, Facebook has lost its lead market position in Japan due to the fact that it did not understand and encapsulate culture into its mass strategy. 'Mixi' is the social networking brand most Japanese people use; it doesn't tell others how many friends you have, it doesn't have a 'like' button and accounts do not display public walls. It meets the cultural requirements. Nevertheless, Facebook plans a defensive strategy and has now set up a team in Japan, considering how to

respond to the digital cultural challenges. This example shows that a glocal strategy may be necessary even in the digital environment.

Price

- 'The Spar' uses a glocal strategy involving positioning through price. This brand is positioned as a low-cost supermarket in Germany, whereas in United Kingdom and Ireland it provides greater service and store design, and it is positioned as a small, high-cost convenience store.

Promotion

- McDonald's had to change its promotion/communications campaign and replace Ronald McDonald clown, because his white face denotes death in China and thus was not a good image to inspire lunch.
- Tesco, too, is adopting a careful local approach towards its expansion overseas. Although it has been happy to trade under its usual name and branding in countries such as Thailand, Hungary and the Czech Republic, when it entered the United States, Tesco did so under the name "Fresh & Easy Neighborhood Market", stressing its local credentials at every opportunity.

Distribution

- French Louis Vuitton bags are sold from stands in shopping centers in Hong Kong, United Arab Emirates and lately in Romania, because these markets accept this as a valid method of distribution. But, if Louis Vuitton did this in countries such as United Kingdom and continental Europe it could damage the brand's luxury status.
- When H&M entered the US market, it found that by locating in the suburbs it faced too much price competition. And so, adapted its glocal strategy and now it locates its stores in more upscale and downtown locations, where it continues to offer lower prices.

4. Conclusion

In this paper we discussed how global brands are rethinking their 'one-size-fits-all' strategy, by approaching a glocalization one. As we have seen, even the major brands that used to represent a standard for globalization, like McDonald's and Coca-Cola, acknowledged the changes and tailored their products, so that they would not lose market share. Glocal marketing attempts to fill the gap between local culture, preference and the globalization of marketing activities, and tries to re-establish the connection between global brands and different cultures.

In the end people want both global and local brands – brands that make them feel part of a broader international community, but also brands that root them in their home culture, respect and represent their tastes. Hence, a glocal strategy seems to be the answer.

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