

Halmstad University
School of Business and Engineering
Business and Marketing



Standardizing or Adapting the Marketing Mix across Culture

A case study: Agatha

Thesis in Marketing, 15 ECTS credits
Final seminar: 25.05.2010

Authors :

Elise MEYER (890511)
Ingrid BERNIER (901218)

Supervisor: Jean-Charles LANGUILAIRE

Examiner: Roger STRÖM

Summary of thesis

Title: Standardizing or adapting the marketing mix across culture

Authors: Ingrid Bernier and Elise Meyer

Supervisor: Jean-Charles Languilaire

Level: Bachelor Thesis in Business Administration, Marketing

Key words: Culture, international marketing, marketing strategies, standardization and adaptation

Purpose: Compare two strategies, standardization and adaptation, to show how companies manage cultural differences.

Method: Our research method is a descriptive one. Then, we collect data from secondary sources such as the books, articles, journals and studies. Then, we judge essential to gather primary data to answer our purpose. In this way, we do one qualitative personal interview with the international marketing director of Agatha and one email interview with its communication director. Finally, the entire information is treated and selected according to the reliability and validity of data.

Theoretical framework: Our theoretical framework is based on theory concerning in a first part, cultural differences with two cultural frameworks: Hofstede and Hall and in the second part, the comparison of two marketing strategies: adaptation versus standardization.

Conclusions: This thesis shows that cultural differences on international market affect the adaptation of the product, price and promotion. The distribution channels have, on the other hand, only been affected by social conditions. The results show that it has been a challenge for Agatha to find a balance between the degree of standardization and adaptation of the different elements of the marketing mix—a challenge that they have succeeded to deal with. Furthermore, the study shows the importance of adapted the marketing mix to the local situation since it is the key to manage to design offers that will lead to success and increased market shares. The overall conclusion of this study is that Agatha needs to think globally but act locally and take cultural differences into considerations.

TABLE OF CONTENTS

- 1 Introduction.....1**
- 1.1 Background.....1**
- 1.2 Problem1**
- 1.3 Purpose2**
- 1.4 Structure.....2**

- 2 The theoretical framework.....4**
- 2.1 Cultural differences.....4**
 - 2.1.1 What is culture?4
 - 2.1.2 Geert Hofstede’s cultural dimensions.....6
 - 2.1.3 Hall’s High/Low context approach.....8
 - 2.1.4 Managing cultural differences.....8
- 2.2 Standardization vs. Adaptation of the marketing mix.....10**
 - 2.2.1 Standardization vs. Adaptation of products12
 - 2.2.2 Standardization vs. Adaptation of pricing.....12
 - 2.2.3 Standardization vs. Adaptation of promotion.....13
 - 2.2.4 Standardization vs. Adaptation of distribution (place).....14
- 2.3 Conclusions of the theoretical framework.....15**

- 3 Method.....16**
- 3.1 Research purpose.....16**
- 3.2 Qualitative vs. quantitative approach.....16**
- 3.3 Research strategy.....17**
- 3.4 Company selection.....18**
- 3.5 Data and data collection.....19**
 - 3.5.1. Secondary data collection19
 - 3.5.2 Primary data collection.....19
- 3.6 Reliability and validity.....21**
 - 3.6.1 Reliability.....21
 - 3.6.2 Validity.....21

- 4 Empirical data23**
- 4.1 Company background.....23**

4.2 Agatha’s products in international markets	24
4.3 Agatha’s pricing in international markets	25
4.4 Agatha’s promotion in international markets	26
4.5 Agatha’s distribution in international markets	27
4.6 Conclusions of the empirical data	28
5 Analysis	29
5.1 Standardization vs. adaptation of Agatha’s marketing mix	29
5.2 Standardization vs. adaptation of Agatha’s products	29
5.3 Standardization vs. adaptation of Agatha’s prices	31
5.4 Standardization vs. adaptation of Agatha’s promotion	31
5.5 Standardization vs. adaptation of Agatha’s distribution	32
5.6 Conclusions of the analysis	33
6 Conclusions	34
6.1 Answer to the purpose	34
6.2 Reflections	34
6.3 Implications for further research	35
List of References	36
Books	36
Articles	36
Websites	37
Interviews	37
Appendix 1 – The interview guide	38

Chapter 1: Introduction

In this chapter, we discuss the problem facing by companies which want to manage with cultural differences while they get more global and have to find marketing solutions. We then present the aim and the purpose of our study which is to compare two strategies, standardization and adaptation, to show how companies manage with cultural differences. We finally present how the thesis is structured.

1.1 Background

Since the beginning of the 1980s, the term “globalization” has increasingly become a matter of debate (Hollenson, 2001). So, globalization may be defined in several ways, and from different perspectives. One can talk about globalization as the widening and deepening of international flows of trade, finance and information in a single, integrated global market (Doyle & Stern, 2006). An alternative would be to describe it as the increasing linkages between the world’s people as natural and artificial barriers fall (Doyle & Stern, 2006). Or, one can refer to it as the transformation of the world into a global village. Rising incomes and particularly access to information through television, the internet, travel and advertising messages have created common demands and expectations an all countries (Doyle & Stern, 2006).

On the one hand, globalization brings important opportunities to companies because they operate in more than one country, in this way they develop their production, so the renowned and the impact of the company increase. The company can have financial advantages because it can develop its turnover and economies of scale developing its activities. (Kotler, 2008)

On the other hand, globalization creates also tremendous marketing challenges (Keegan & Schlegelmilch, 2001). Among those, the execution of global marketing research may differ substantially from the process of domestic research; also global market researchers are faced with broader competition, different variables have to be considered, and there is a lack of infrastructure. Moreover, marketers have to learn the foreign culture before launching a product and marketers need to learn about various aspects of foreign market environments. And finally, underdeveloped communication infrastructure can hinder the information collection process.

1.2 Problem

Beyond these different challenges, one is recurrent: the cultural challenge. Culture as a concept is very difficult to define. Every author who has dealt with culture has given a different definition (Hollensen, 2001). Hofstede’s (1980) definition is perhaps the best know: “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”(p.87). The elements of language, manners and customs,

technology and material culture, social institutions, education, values and attitudes, aesthetics, religion are usually included in the concept of culture (Hollensen, 2001).

Facing cultural challenges implies that companies have to deal with different cultures when they are global. So, they have to find marketing solutions in order to manage with changes and differences in others countries. In that regards, companies may use two strategies for answering this problem. The first one is the standardization. Standardized global marketing is an international marketing strategy for using basically the same marketing strategy and mix in all the company's international markets (Armstrong & Kotler, 2008). Coca Cola for example, which are globally standardized products sold everywhere and welcomed by everyone (Levitt, 1983). The second strategy is the adaptation. Adapted global marketing is an international marketing strategy for adjusting the marketing strategy and mix elements to each international target market, bearing more costs but hoping for a larger market share and return (Armstrong & Kotler, 2008). Nokia for example, customized its cell phones for every major market (Armstrong & Kotler, 2008). Developers raise the ring volume of mobile phones because Asian streets are crowded and noisy. In this way, Asian people can hear their phone better. A company which is present in more than one country has to deal with several and different cultures. Hofstede (1980) stresses the fact that "business is a different game with different rules in each country" (p.163). Due to this, the problem for the company is to choose to standardize or adapt their marketing mix depending on the culture of the country. Indeed, it can be impossible to standardize products in all countries all over the world because the culture or habits are too different. Because of this fact, companies have to choose between standardized or adapted their products for each country independently. What are the factors which influence this choice and what are the consequences on the marketing mix?

1.3 Purpose

Based on the discussion above, the purpose of this thesis is to compare two strategies, standardization and adaptation, to show how companies manage cultural differences. To achieve this purpose we are going to analyze the international marketing mix of the company Agatha¹

1.4 Structure

Our thesis is composed in six chapters. The first chapter is the introduction. In the second chapter, we explain our theoretical framework. We describe the theory relevant as a knowledge foundation for our study in two parts: the first one, cultural differences and the second one, the strategies of standardization and adaptation. In chapter three, we describe the methods we have used when making our study as well as explain our different choices leading to such methods. In chapter four, we compile our empirical material that we have gathered through our conductive interview. In chapter five, we analyze our results in the light of our theoretical frame work. In chapter six, we present the conclusions about both strategies and

¹ This choice will be explained in chapter 3.

there comparison by elaborating on the analysis of the gathered information and give a clear answer to the purpose.

Chapter 2: The theoretical framework

In this chapter, the theoretical framework that is considered to be relevant for the study is presented. The chapter is based on theory concerning in a first part, cultural differences and in the second part, the comparison of two marketing strategies: adaptation versus standardization.

2.1 Cultural differences

For explaining how cultural differences influence marketing, we define what culture is thanks to two frameworks of culture. The first one is Hofstede's cultural dimensions and the second one is Hall's high/low context approach. We also explain how companies manage with cultural differences.

2.1.1 What is culture?

In relation to international marketing, culture can be defined as “the sum total of learned beliefs, values and customs that serve to direct consumer behaviour in particular country market” (p.85) (Doole & Lowe, 2001). Culture is made up of three essential components: (Usunier, 1993)

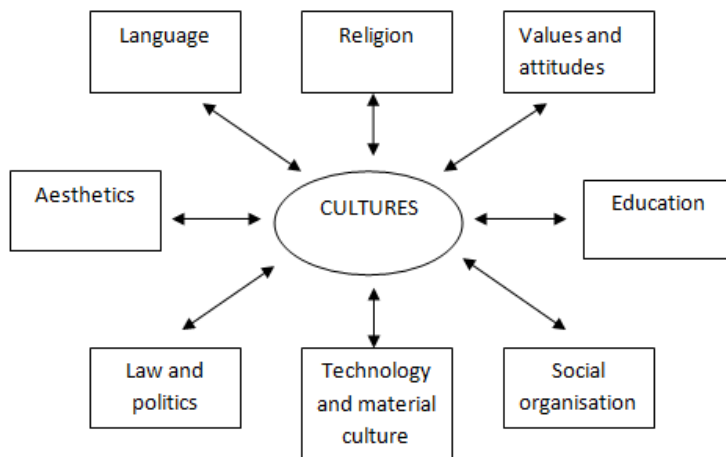
- Beliefs which is a large number of mental and verbal processes which reflect our knowledge and assessment of products and services (Usunier, 1993)
- Values which are the indicators consumers use to serve as guides for what is appropriate behaviour, they tend to be relatively enduring and stable over time and widely accepted by members of a particular market (Usunier, 1993)
- Customs which are modes of behaviour those constitute culturally approved or acceptable ways of behaving in specific situations. Customs are evident at major events in one's life like birth, marriage, death, and at key events in the year like Christmas or Easter (Usunier, 1993)

Beliefs, values and customs are the three components of culture which influence the international marketing (Usunier, 1993). These three components affect consumption behaviours and the purchase pattern of the individual. Each individual buy products thanks to some references in his own culture. Beliefs, values and customs send direct and indirect messages to consumers regarding the selection of goods and services; it is the cultural message (Doole & Lowe, 2001). The culture a customer live determines and affects its decision process. Companies must adapt their product and promotion to suit their area of operation. (Usunier, 1993)

However, there are also eight characteristics of culture defined by Doole and Lowe (2001) as you can see in the figure 1 which form a convenient framework for examining a culture from a marketing perspective. For explaining the impact of these factors on international marketing, we are going to explain some of the eight characteristics of culture. For the characteristic education is easy to understand that the degree of literacy play an important role on the labeling of product. For the characteristic aesthetics, a firm needs to ensure that use of

colour, music, architecture or brand names in their product and communications strategies is sympathetic and acceptable to the local culture (Doole & Lowe, 2001).

Figure 1: A cultural framework



(Source: Doole & Lowe, 2001, p.66)

When we define culture, it seems to be easy to identify, characterize and differentiate a culture from another one. In reality, according to Selfridge & Sokolik (1975), culture is more complex and composed of a “visible and invisible part of the culture”. Indeed, culture can be described like an iceberg. The part of the iceberg that you see above the water is only a small fraction of what is there. What you cannot see are the values and assumptions that can sink your ship if you mistakenly run into them. Daily behaviour is influenced by values and social morals which work closer to the surface than the basic cultural assumptions. The iceberg model of culture implies that the visible parts of culture are just expressions of its invisible parts. It also highlights the difficulty of understanding people from different cultural backgrounds because although we may see the visible parts or their “iceberg” we cannot immediately realize what the foundations are (Selfridge & Sokolik, 1975). So, it can be difficult for marketers to find immediately the real needs of a particular culture. Indeed, if the major part of the culture is “under the water” marketers don’t have other solutions than learn about the culture of their customers to target their fundamental needs. Take time to know and understand the culture is the only way to access a better level in the iceberg.

Having identified what is culture, we need to interpret it in relation to marketing. This requires a clearly understanding of what basics assumptions are and in this way the use of two cultural frameworks. The first one is Hofstede’s five cultural dimensions; he presents four plus one cultural dimensions which are relevant for understanding the influence of culture on international marketing.

2.1.2 Geert Hofstede's cultural dimensions

According to Holden (2002), Mc Sweeney (2002) and Myers & Tan (2002), Hofstede's theory has some weaknesses and strengths. The main weaknesses are that the study of Hofstede seems to be outdated and therefore obsolete, he doesn't take into consideration different cultural groups in a same country (example: in Spain there are Catalans, Basques and Castilians). Also, Hofstede's respondents worked within a single industry and a single multinational, IBM. And finally, the definition of the dimensions may be different from culture to culture. For instance, Japanese collectivism is organization based but Chinese collectivism is family based. Even if there are a lot of weaknesses, we choose to take the framework of Hofstede because of his strengths: in reality many companies use Hofstede's cultural dimensions. Also, the study is based on a large sample (116 000 respondents). The information population is controlled across countries which means that comparisons can be made. The four dimensions tap into deep cultural values and make significant comparisons between national cultures. The connotations of each dimension are highly relevant. And finally, no other study compares so many other national cultures in so much detail (Myers and Tan, 2002). Due to this, we think it is important to explain what culture, according to Hofstede, is.

In international business it is sometimes amazing how different people in others cultures behave. We tend to have a human instinct that deep inside "all people are the same", but they are not. Therefore, when a businessman works into another country and makes decisions based on how (s)he operates in her/his own country, the chances are (s)he will make some very bad decisions (Hofstede, 1980).

Geert Hofstede's research gives us insights into others cultures so that we can be more effective when interacting with people in others countries. Moreover, he gives the edge of understanding which translates to more successful results. According to Hofstede (1980), the way people in different countries perceive and interpret their world varies along four plus one dimensions:

- Power Distance Index (PDI) that is the extent to which the powerless members of organizations and institutions (like the family) accept and expect that power is distributed unequally (Hofstede, 1980).
- Uncertainty Avoidance Index (UAI) deals with a society's tolerance for uncertainty and ambiguity; it ultimately refers to man's search for Truth. It indicates how members of a culture feel uncomfortable or comfortable in unstructured situations (novel, unknown, surprising, different from usual) (Hofstede, 1980).
- Individualism (IDV) on the one side versus its opposite, collectivism, that is the degree to which individuals are integrated into groups. On the individualist side we find societies in which the ties between individuals are loose: everyone is expected to look after him/herself and his/her immediate family (Hofstede, 1980).
- Masculinity (MAS) versus its opposite, femininity refers to the distribution of roles between the genders (Hofstede, 1980).
- Long-Term Orientation (LTO) versus Short Term Orientation: This cultural dimension has been criticized by Fang (2003), it is argued that there is a philosophical flaw inherent in

this “new” dimension. Given this fatal flow and other mythological weaknesses, the usefulness of Hofstede’s fifth dimension is doubted. It can be said to deal with Virtue regardless of Truth. Values associated with Long-Term Orientation are thrift and perseverance; values associated with Short-term Orientation are respect for tradition, fulfilling, social obligations, and protecting one’s face (Hofstede, 1980).

The study of Dwyer, Mesak, and Hsu’s (2005) outcomes provide additional tactical implications with respect to the marketing mix—the “how” of product launch decisions—to facilitate the adoption of innovations by consumers. Marketing management efforts, particularly with respect to promotion, should be focused on and should communicate to the core cultural values that each target country possesses, whether it is individualism, masculinity, power distance, long-term orientation, or some combination of these cultural dimensions. By focusing on these core values, marketing efforts can be leveraged to achieve more rapid consumer adoption of the newly introduced product. Each population of each country is characterized by Hofstede’s four plus one cultural dimensions. The study of these cultural dimensions can give very important information to marketers for the standardization or the adaptation of the marketing mix. Indeed, the behaviour of the customers change depending of this cultural dimensions and an adaptation of the marketing mix is in this way needed or not (Dwyer, Mesak, & Hsu, 2005). In this regard, Dwyer, Mesak, and Hsu (2005) conclude by providing global marketers specific marketing examples linked to each of the cultural dimensions as you can see in the table 2. Collectivism influences innovativeness, service performance and advertising appeals. Uncertainty avoidance impacts information exchange behaviour, innovativeness and advertising appeals. Power distance affects advertising appeals, information exchange behaviour, innovativeness and service performance. Masculinity impacts sex role portrays, innovation and service performance. Finally, long-term orientation influences innovativeness.

Table 2: Influence of the four plus one Hofstede’s dimensions

	Innovativeness	Service Performance	Advertising appeals	Information exchange behaviour	Sex role portrays
Collectivism	X	X	X		
Uncertainty avoidance	X		X	X	
Power distance	X	X	X	X	
Masculinity	X	X			X
Long-term orientation	X				

(Source : Own construction)

Another important framework to explain is Hall’s high/low context approach because he stresses that the communication and therefore the promotion of the product is influenced by cultural aspects.

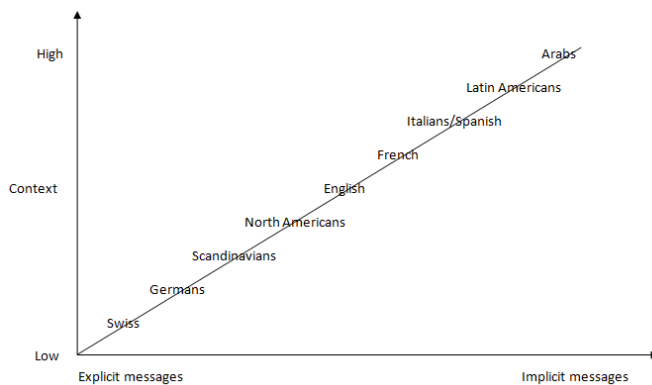
2.1.3 Hall's high/low context approach

Edward T.Hall (1960) introduced the concept of high and low contexts as the way of understanding different cultural orientation between societies.

- Low-context cultures rely on spoken and written language for meaning. Senders of messages encode their messages, expecting that the receivers will accurately decode the words used to gain a good understanding of the intended message
- High-context cultures use and interpret more of the elements surrounding the message to develop their understanding of the message. In high-context cultures, the social importance and knowledge of the person and social setting add extra information, and will be perceived by the message-receiver.

Figure 3: The contextual continuum of differing cultures

This figure shows the contextual differences in the cultures around the world.



(Source: Usunier, 2000)

First used by author Edward Hall (1960), the expressions "high context" and "low context" are labels denoting inherent cultural differences between societies. High-context and low-context communication refers to how much speakers rely on things other than words to convey meaning. Hall (1960) states that in communication, individual face many more sensory cues than they are able to fully process. In each culture, members have been supplied with specific "filters" that allow them to focus only on what society has deemed important. In general, cultures that favor low-context communication will pay more attention to the literal meanings of words than to the context surrounding them. In such culture, companies have to adapt their promotion. Indeed, the slogan and the name of the brand are more important than images.

2.1.4 Managing cultural differences

Having identified the most important factors and components of cultures, thanks to the two models above, we can now understand the difficulties for marketers to manage with cultural differences. Many authors like James Lee (1966) or Svend Hollensen (2001) worked on how companies can overcome the problem of cultural differences.

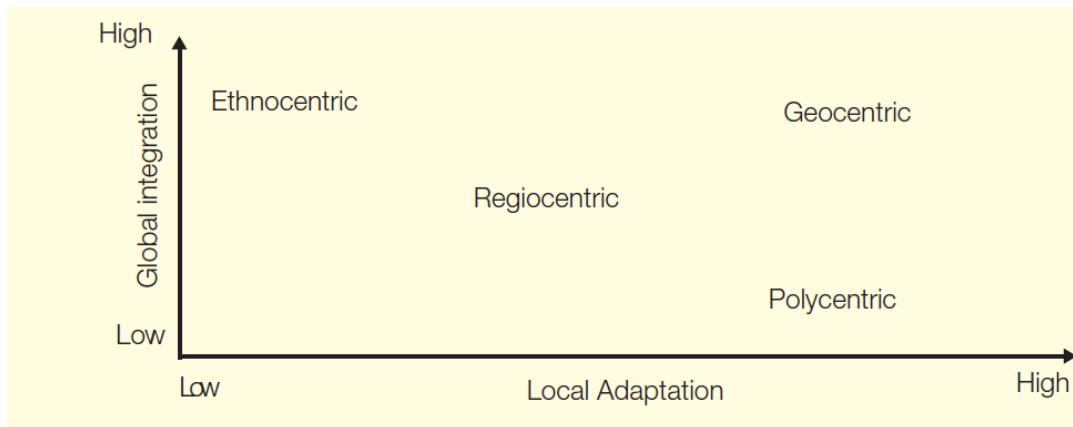
James Lee (1966) used the terms *self-reference criterion (SRC)* to characterize our unconscious reference to our own cultural values. This author suggested a four-step approach to eliminate SRC.

- 1-Define the problem or goal in terms of home country culture, traits, habits and norms.
- 2-Define the problems or goals in terms of the foreign culture, traits, habits and norms.
- 3-Isolate the SRC influence in the problem and examine it carefully to see how it complicates the problem
- 4-Redefine the problem without the SRC influence and solve for the foreign market situation

It is therefore of crucial importance that the culture of the country is seen in the context of that country. It is important to regard the culture as different from, rather than better or worse than, the home culture. In this way, differences and similarities can be sought and explained.

Another approach to understand SRC is ethnocentric versus polycentric marketing strategies. Indeed, different cultures have different values which affect an individual's way of thinking and behaviors. So, companies have to “think globally, act locally” (Pucik, p.21). The degree of localization is decided by companies. It can be divided into four categories as you can see in the figure 4. The first one is ethnocentric, it is a strong orientation toward the home country, markets and consumers abroad are viewed as unfamiliar and even inferior in taste, sophistication, and opportunity. The second one is polycentric it is the opposite of ethnocentric; it is a strong orientation to the host country. The third one is regiocentric it is a regional orientation and finally geocentric, it is a compromise between the two extremes of ethnocentric and polycentric. Geocentric is an orientation that considers the whole world rather than any particular country as the target market (Heenan & Perlmutter, 1979). Ethnocentric and polycentric are two extremes. An increasing number of companies are operating global rather than a national scale (Douglas, 1995). Ethnocentric and polycentric are management approaches totally different and can be a guideline for international marketing strategies. In the first one, top management views domestic techniques as superior to foreign. The company recognizes the importance of inherent differences in overseas markets. The polycentric approach is that local personnel and techniques are best suited to deal with local market conditions. Ethnocentrism and polycentrism are two opposite marketing strategies. Companies have to decide which one is the most adapted in terms of each situation.

Figure 4: Ethnocentric versus polycentric orientation



(Sources: Heenan & Perlmutter, 1979, p.18-19)

2.2 Standardization vs. Adaptation of the marketing mix

When entering international markets, firms have to adapt or standardize their marketing mix. The question of what strategy chooses: standardization or adaptation is a matter of debate since the beginning of the 1980s. In reality, almost none marketing mix is not only adapted or only standardized. According to Keegan and Green (1999): “ the essence of global marketing is finding the balance between a standardized (extension) approach to the marketing mix and a localized (adaption) approach that is responsive to country or regional differences.” (p.28)

Hence, a fundamental decision that managers have to make regarding their global marketing strategy is the degree to which they should standardize or adapt their global marketing mix. Some elements of the marketing mix are more adaptable than others: place, promotion and price. The product is the hardest element to adapt (Onkvisit & Shaw, 2004). Consequently, the elements of marketing mix should be seen has being at different points of a continuum of standardization where the product and service image is generally easier to standardize than individual country pricing (Doole & Lowe, 2004). Companies have to take into consideration this continuum of adaptation and standardization (figure 5) to decide which elements of their marketing mix they are going to adapt or standardized.

Figure 5: continuum of adaptation and standardization



(Source: Doole & Lowe, 2004, p.190)

Standardized the marketing mix create advantages and drawbacks. However, almost all companies choose this marketing strategy (Douglas & Craige, 1995). Reasons of choosing standardization are greater sales volume, lower production cost, greater profitability and integrated image around the world (Keegan & Schlegelmilch, 2001).

Adapted the marketing mix is the other alternative to overcome these difficulties. When a firm wants to be the leader of a market or reach out new segments of the market, adaptation is necessary. A lot of consumers need to have their own designed product for their home market. You can see in the table 6, the main factors that influence the choice of standardizing or adapting the marketing mix.

Table 6: Main factors favouring standardization versus adaptation

Factors	Factors favoring Standardization	Factors favoring adaptation
Environment	Economies of scales in R&D, production and marketing (experience curve effects)	Local environment-induced adaptation: government and regulatory influences (no experience curve effects)
Competition	Global competition	Local competition
Consumer needs	Convergence of tastes and consumer needs (consumer preferences are homogeneous)	Variation in consumer needs (consumer needs are heterogeneous)
Management	Centralized management of international operations	Fragmented and decentralized management with dependant country subsidiaries
Competitors	A standardized concept is used by competitors	An adapted concept is used by competitors

(Source: adapted from Hollensen, 2001, p.393)

2.2.1 Standardization vs. Adaptation of products

We define a product as anything that is offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. Products include more than just tangible goods. Broadly defined, products include physical objects, services, persons, places, organizations, ideas or mixes of these entities (Kotler, 1996).

It is essential for a company to offer a product more beneficial for customers in order to create a competitive advantage and a customer loyalty. Moreover, the product has to be compatible with the culture (local customs and habits) (Onkvisit & Shaw, 2004). The success of the company is determined on what marketing strategy the firm is going to use (adaptation or standardization). The decision to choose one or the other is based on business objectives but also on cultural differences (Hollensen, 2001).

However, the product is the element of the marketing mix easiest to standardize (Hollensen, 2001). According to Onkvisit & Shaw (2004), product standardization is an approach where a firm is able to export their products to international markets without any essential changes thanks to the similarities in taste and needs in global market. Product standardization is more used for industrial goods products than customer's products and service because these latest have to be adapted to the culture of the country (Czinkota & Ronkanen, 1995).

In this way, many international companies of customer's products develop a global product including regional differences and culture specification into one product which can be accepted in all countries. This product is done in international bases. By choosing this strategy, companies take into account local needs and demands. This alternative is only effective in a foreign culture close to the home company culture. Indeed, in some international markets, the company has to do modifications in the marketing mix because differences between the home culture and the foreign culture are too huge (Czinkota & Ronkanen, 1995).

A firm has to decide the degree of adaptation of the product. If they fail to modify their product to specific markets, it can be a big problem and can result into a disaster (Douglas & Craige, 1995). Elements that have to be adapted in a product to local market and culture are design, brand names, packaging, colour of the product, etc (Keegan & Green, 1999).

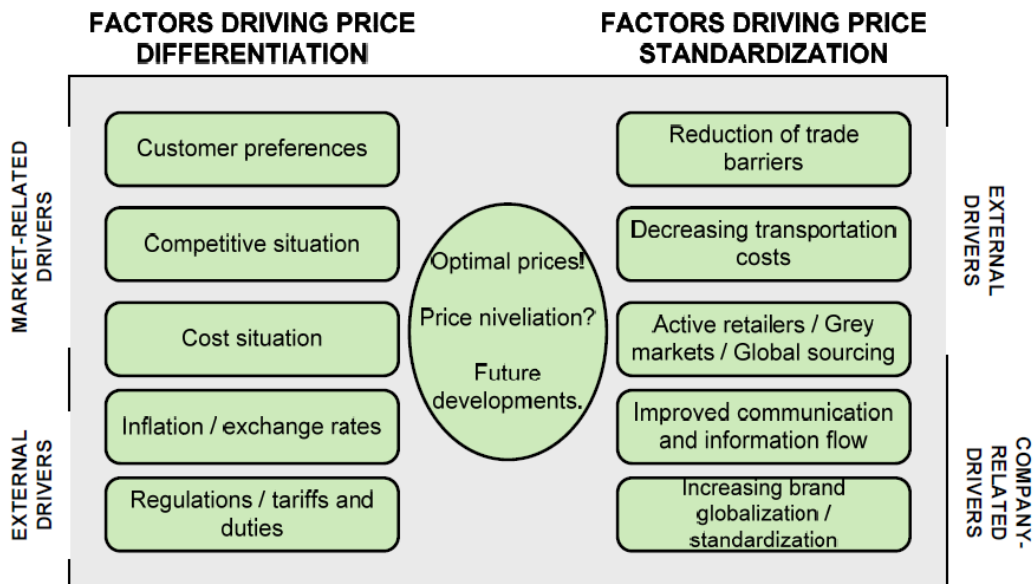
2.2.2 Standardization vs. Adaptation of pricing

The third component of the marketing mix is the price. In the narrowest sense, price is the amount of money charged for a product or service (Kotler, 1996). More broadly, price is the sum of all the values that consumers exchange for the benefits of having or using a product or service (Kotler, 1996).

In this case too, the company has to choose between standardization and adaptation. The decision to adapt or standardize depend on different factors, as you can see in figure 7. The company has to be careful about these factors to be able to decide which approach is the most effective (Keegan & Schlegelmilch, 2001). Indeed, customer preferences or the competitive

situation are factors driving the price differentiation in opposition decreasing transportation costs or improved communication are factors driving price standardization.

Figure 7: Influence on price standardization vs. adaptation



(Source: Keegan & Schlegelmilch, 2001, p.408)

Standardizing price means that the head office decide a fixed price that is applied in all international markets without taking in consideration the factors above. Standardized is more use by companies in B2B market than in B2C market because they are less price-sensitive (Hollenson, 2001). When companies use this strategy, they take less risk, since as no attempt is made to respond to local conditions, no effort is made to maximize the profit neither (Hollenson, 2001).

The other alternative is to adapt the price to local conditions and is a way for the company to have a greater success (Onkvisit & Shaw, 2004). Managers have to establish price depending on the foreign market and foreign consumer’s revenues. It doesn’t mean that the price in one country will be coordinated to the price in another. Adapting the price is sensitive to local conditions; but on the other hand; it gives the company the opportunity to take advantages of price differences that can occur when a company for example buys for lower prices and sells for a higher one (Keegan & Green, 1999).

2.2.3 Standardization vs. Adaptation of promotion

The second component of the marketing mix is the promotion. A company’s total promotion mix, also called its marketing communications mix, consists of the specific blend of advertising, sales promotion, public relations, personal selling and direct marketing tools that the company uses to persuasively communicate customer value and build customer relationships. (Kotler, 1996)

Promotion also has to be adapted or standardized. It means create advertisements that work in different countries and cultures or create a different advertisement in each country (Keegan & Schlegelmilch, 2001). When a company decides to standardize the promotion, marketers create an advertising message which is effective all around the world (Keegan & Green, 1999). The standardization of the promotion means that same promotion is use in all countries in the world without any changes (Onkvisit & Shaw, 2004).

When a firm decides to standardize an advertising message they can minimize their cost but they don't have to forget that customers are different in all countries. Promotion can be affected by language, religions, laws, economic differences and media availability. All these factors create a need of adaptation for advertising messages (Theodosiou & Leonidou, 2002). In some countries, advertising can be translated into the local language and in other countries it is impossible, so, a whole change of the advertising is needed. So, we can say that adapting the promotion means only little modifications rather than a radical redesign (Douglas & Craige, 1995). Adapting the promotion through minor modification is a relatively cost effective strategy, since changing promotion message is not such an expensive thing to do (Hollenson, 2001).

2.2.4 Standardization vs. Adaptation of distribution (Place)

According to Keegan and Green (1999), channels of distribution are defined as “an organized network of agencies and institutions, which in combination, perform all the activities required to link procedures with users to accomplish the marketing task.” (p.461). Marketing channels can create place, time, form, and information utility for buyers.

It is difficult to standardize the distribution because there is large variation of channel distribution depending on the country. Given that there are different channels of distribution, there are different places of distribution (Keegan & Green, 1999). Indeed, it is not the same thing if a company sells its products in a supermarket or in a little shop. In each country, channels of distribution are different so places of distribution too. Place of distribution can be shops and supermarkets of different size or internet for examples. Multinationals companies operate through subsidiaries, so the implication is that headquarters not really know the distribution channels. Indeed, it is not the headquarters that control the distribution channels but actually, the subsidiaries in a local level. Channels for industrial products are less varied with manufacturer's sales force, wholesalers, and dealers or agents utilized. However, in B2B markets the channels are shorter; the reason is that channels are more direct (Keegan & Green, 1999).

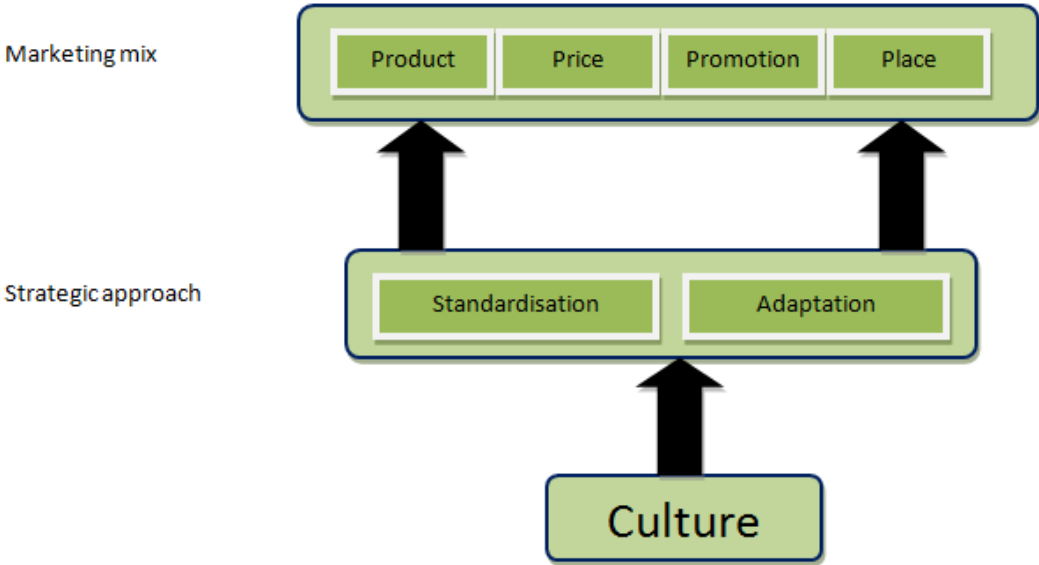
Adapting or standardizing the distribution channels depends on several factors which are the customer, the culture and the product. Distribution channels are the component of the international marketing mix that can be more adapted (Onkvisit & Shaw, 2004). This depends on the differences in disposable incomes, purchasing habits and distribution's infrastructure. A company has to adapt for others reasons like for example when it has a sales volume, a level of involvement or a product line not ordinary. The distribution channels have a degree of adaptation or standardization depending on which country the firm is established (Onkvisit & Shaw, 2004).

The marketers and managers have to understand all the aspect of the distributions channels because it contribute to the success of the company and without this understanding the firm can't be in a leader position (Keegan & Green, 1999).

2.3 Conclusions of the theoretical framework

Based on the theories presented in this chapter, a clear link between standardization/adaptation and the marketing mix is identified. Moreover, the link between the culture and the decision of adaptation and/or standardization is also demonstrated (figure 8). Indeed, as we have said before the theory of Edward T. Hall (1960) describes high and low context approach of cultures. This theory influences the choice of standardized or adapted the communication and promotion of the company. So, there is a clear link between the culture and the choice of one marketing strategy. Furthermore, Hofstede (1980) describes four plus one cultural dimensions of culture. Companies use the theory of Hofstede to know how customers are going to react when a new product is launched in their country. Thanks to Hofstede's theory, companies can anticipate the customer's reactions and decide to adapt or standardize their marketing mix. These two frameworks prove that there is a link between culture and the choice of adaptation and standardization. Companies have to take care about each culture when entering in a new international market. Indeed, it is impossible that all products of a company are compatible with all markets all over the world. For example, in China the color white represent the mourning so companies can't sell a product with this kind of signification. They have to adapt their products to the culture, beliefs or habits. The figure below shows how culture influences the marketing mix.

Figure 8: Culture influences the choice of a strategic approach



(Source: own construction)

Chapter 3: Method

In this chapter, we present how we collect data in order to find the best way to fulfill the purpose. The chapter starts by explaining the research purpose of the thesis, and then we describe the research approach and research strategy. After, we present how the data has been collected: secondary and primary collection. We then present the reasons of our company selection and finally the reliability, validity and trustworthiness of our methodology.

3.1 Research purpose

There are three different ways to do a case study research. The first one is an exploratory research, the second one is a descriptive research and finally, the third one is an explanatory research.

- Exploratory research: This type of case study research is used when there isn't a lot of information about the problem (Yin, 1994). So, the research is based on collecting as much information as possible about the subject area. The result of the study is then, compose a conclusion of the problem area thanks to relevant information you have collected before. This kind of research is used when the theory is not clear and when problem and relations are difficult to delimitate and define (Gummesson, 2002).
- Descriptive research is used when the problem area is well demarcated, determined and structured. In this situation, the researcher has to find out relevant ideas that have to be observed, developed and described (Yin, 1994). The method used by researcher result on detailed and exact fact. The conclusion of the study is an exact and conclusive description of the problem area and examined aspects or alternatives (Paul & Eriksson, 1998).
- Explanatory research is used when different variables exist about the problem area. The purpose of this study is to prove or disapprove one or several alternatives. It can also be used when the researcher wants to find a link between causes using data collection methods that give hard data. Yin, (1994) detailed saying that whether the result can be proved or disapproved is determined by the result (Paul & Eriksson, 1998).

In this thesis, the purpose is to investigate how international companies manage with cultural differences: adaptation or standardization of their marketing mix. Moreover, there are several variables describing standardization or adaptation of the marketing mix so this thesis is for the most part descriptive.

3.2 Qualitative vs. Quantitative approach

According to Denscombe (1988), there are two types of research approaches: qualitative and quantitative. The strength of the qualitative method is that it goes more in depth of the problem than the quantitative. The researcher uses this approach when (s)he wants to investigate with details; the researcher him/herself plays an important role in the qualitative method. In this way, the researcher influences the analysis of qualitative data because of his personality, values and beliefs, and therefore as to be accepted. So, we can say that qualitative

approach is not just imposing acts but it provides a deeper understanding of the problem. The major weakness of this method is the difficulty to compare the data collected with the data expected (Denscombe, 1988).

The quantitative approach is based on analyzing numbers. This method has a major strength: the study can be generalized even if it is intended for a large target group. However, the quantitative research is more a broad perspective than the qualitative (Denscombe, 1988).

In this thesis we use the qualitative approach because we want to have a deeper explanation of the data collection and not just look up on it from a broad perspective. Another reason to choose this approach is because our purpose is to investigate how companies manage with cultural differences and adapt and/or standardize their marketing program to international countries. The purpose with this research is to describe the complexity of a company's reality. The reason to why a qualitative approach is chosen is that the study is only performed on one particular company with the purpose to investigate the research question in depth. The study does not aim to show any statistical results and therefore no quantitative research will be performed. The collected data will be presented in form of words and text. It will compared to the quantitative approach be unstructured and analyzed from an interpreted and not statistical point of view (Christensen & Engdahl, 2001). Since the study aims to describe how a particular phenomenon occurs on particular markets, a qualitative approach is found to be more suitable.

3.3 Research Strategy

According to Denscombe (1988), Wiedersheim-Paul & Eriksson (1998) and Yin (1994) there are five primary research strategies: experiment, survey, archival analysis, history and case study. Yin (1994) says that the strategy use should follow three conditions:

- Type of research questions
- Extent of control an investigator has over actual behavioural events
- Degree of focus on contemporary events as opposed to historical events

Table 9: Relevant situations for different research strategies

Research strategy	Form of research questions	Requires control over behavioural events	Focuses on contemporary events
Experiment	How, why	Yes	Yes
Survey	Who, what, where, how many, how much	No	Yes
Archival analyses	Who, what, where, how many, how much	No	Yes/ no
History	How, why	No	No
Case study	How, why	No	Yes

(Source: Yin, 1994, p.6)

The table 9 shows the strengths and the weaknesses of all research strategies. Denscombe (1988) explains that an experiment has three basic points regarding purpose and design: control, indentifying cause factors, and observation and measures. He adds that a survey should be broad and have a large coverage, it shows a short-lived point and he shows empirical research. Archival analysis is practical changeable process cycle, and participation. History is a strategy which consists on describing culture events and humans. Finally, the characteristics of a case study can be describe as an in-depth study because it is focused on relations and processes and it takes place in a natural environment. Moreover, the researcher can use different sources and method.

Yin (1994) affirms that surveys and archival analysis are quantitative and we have decided before to do a qualitative research, so we can eliminate these two research strategies. Indeed, we think that it is more interesting to have recent information and sources than old one to understand the reaction of companies today. Furthermore, we want to analyze contemporary events, so it excludes history. This rezoning leaves us with one research strategy: the case study, which is the most adapted to the purpose of our thesis because it provides a deeper description and understanding. Moreover, with the case study, it is possible to have recent examples of what happen nowadays in companies.

We have to explain that there are two ways of doing a case study (Yin, 1994). The first is the single case study where just one object is looked up, and the second one is the multiple case studies where several objects are looked up in order to compare all the cases.

In this thesis, we do a single case study because we prefer focus on one deep understanding of the topic. Indeed, a company like Agatha uses both strategies (standardization and adaptation), so with one case study we are going to understand why using both strategies. So, we prefer focus our attention on only one company to analyze the results in depth. Moreover, we would have time for analyze only one company to see how it manages with cultural differences.

3.4 Company selection

For answering the purpose of this thesis: how companies manage with cultural differences, standardize or adapt their marketing mix, we need to work with a company which is international. According to Pettigrew (1985), one of the reasons for choosing a company is the access to data and it is the main reason for our company selection: Agatha. Indeed, two of our relatives are working in this company so we can have more easily an access to data. Catherine Furic and Jean-Louis Dufosset give us information about the company Agatha. This company provides jewels and clothes top-of-the-range product all over the world. It is present in 32 countries. Today Agatha has a real impact in the sector of Fashion & Clothes. Due to this, and the fact that Agatha has a world wide spread business, they have been studied.

3.5 Data and data Collection

Data has to be collected for answering the purpose of the thesis. There are two degrees of data: the first one is called secondary data and the second one is called primary data (Christensen & Engdahl, 2001).

The secondary data is a general understanding of the problem by researching and analyzing existing and effective information. However, for answering the purpose, another data collection is required because the secondary data doesn't give enough information to fulfill the purpose. The primary data is collected by the investigators themselves (Christensen & Engdahl, 2001).

3.5.1 Secondary data collection

As we have said before, secondary data is data that already exist and it is needed for having a basic knowledge about the subject (Kvale, 1997). The better way to find secondary data is to begin with literature research concerning the thesis (Books, journals, research reports, internet, etc). However, the investigators have to be careful of what data basis they choose because information needs to be reliable and valid. To evaluate secondary data, the sources should be critically reviewed (Christensen & Engdahl, 2001).

In this thesis, for this research's purpose we have collected secondary data from literature regarding international strategic marketing and culture, which was found in the library of Halmstad University, Sweden. In a first time, we began by make some researches on Internet. However, we noticed that Internet is not every time a reliable source. At this moment, we concluded that it is better to focus our researches on books with a clear link with our purpose. We take this decision because this source is reliable, complete and relevant. For finding relevant books at Halmstad University, we used the online research; our key words were culture, international marketing, marketing strategies, standardization and adaptation. Moreover, secondary data about our case selection Agatha were finding on the official website of this company.

3.5.2 Primary data collection

Secondary data give global information about the subject, so for having a deeper and more appropriate understanding of the purpose, primary data collection is required. This means that new information must be collected through our own investigation to solve the problem. Primary data can be collected through several different techniques: qualitative questionnaires, qualitative interviews, observations and experiment. For the primary data collection, investigators need to interact and communicate with other people (Christensen & Engdahl, 2001; Svensson & Starrin, 1999; Kvale, 1997).

In this thesis we have decided to do two qualitative interviews to collect our primary data which is more efficient because you can interact. There are four different types of interviews: the personal interviews, focus groups, telephone interviews, and "in-city interviews". The personal interview is an interview between two people on one-to-one meeting. The focus

group is a discussion between several people. The telephone interview is an interview where you interact by telephone, so you can't see the person. The last one is an interview directly realized in the street, in this one you ask several people that you don't know personally (Christensen & Engdahl, 2001; Svensson & Starrin, 1999; Kvale, 1997).

There are also structured interview, semi-structured interview and unstructured interview. In the first one, structured interview, the investigator gives questionnaires for guiding the interview. In the second one, the semi-structured interview, the investigator gives only subject areas and global questions and in the third one, the unstructured interview, the respondent talks free about the problem (Christensen & Engdahl, 2001; Svensson & Starrin, 1999; Kvale, 1997).

We have decided to do a semi-structured interview because we end by general questions. With a semi-structured interview, we can focus almost all answers. The questions of our interview were based on our part theoretical framework. Firstly, we asked questions concerning the company Agatha. Secondly, we focus on each component of the marketing mix to know if Agatha adapts or standardizes its marketing mix and to know which factors influence this choice (Appendix 1).

For collecting our primary data, we have done a personal interview with the international marketing director of Agatha, Catherine Furic who has been working in the company since 18 years. The interview took place in Paris the 27th of April 2010, in the head office of Agatha. We have chosen to do an interview in the respondent's natural environment to make her feel more comfortable. Catherine Furic chooses the place, so she feels more comfortable that increase the atmosphere of the discussion (Kvale, 1997). To improve the quality of the interview, we did a semi-structured interview in order to let the respondent speaking about the subject with freedom. The respondent was aware of the purpose of the study and had the opportunity to see the interview guide (appendix 1) for preparation. According to Kvale (1997), it is the best thing for having reliable and valid information. Sending questions before has positive and negative effects. The positive things are that she can collect more information and feels more comfortable during the interview. The negative things are that she can be less free to adapt her answers and the interview can be too much constructive. We send her the questions before even if there are negatives effects because we need precised graphics and information. So, she asked us to send her the interview before in order to have time for collecting what we need. Christensen & Engdahl (2001) add that for minimizing the risk of missing important information, it is better to type the answer of the respondent, but also gives the opportunity to concentrate on the ongoing interview and to ask questions. It is the reason why the interview with Catherine Furic was tapped. We have done the interview in English for not using another language and do mistakes with the translation. Moreover, Catherine Furic is an international marketing director so she is fluent in English and she uses to speak English at work. For having a deeper understanding of the situation of the company Agatha, we have also sent by e-mail our questionnaire to the communication director, Jean-Louis Dufosset. We sent our questionnaire the 28th of April 2010. Jean-Louis Dufosset answered us almost one week later. He has been working in the company during 6 years like a communication director, so he can also inform us about our purpose. We sent to him our questionnaire in English because, like Catherine Furic, he is fluent. His answers were relevant and helped us for completing the information given by Catherine Furic.

3.6 Reliability and Validity

“Reliability, validity and generalization are terms that are often used when the verification of knowledge is discussed” (Kvale, 1997). For analyzing the results and conclusions, the research must be credible and reliable. However, reliability and validity must be treated in different ways depending if the research method is qualitative or quantitative. In a case study, it is difficult to isolate the different variables from each others, and the context must be taken in consideration instead (Christensen & Engdahl 2001).

3.6.1 Reliability

The reliability of a study measures to what degree a study’s result can be repeated if an identical or similar research wants to be carried out. This approach causes often problems during the collection of the data, since the interaction between the respondent and the interviewer is the most essential fact (Christensen & Engdahl, 2001; Kylene, 2004). If the respondent is not as cooperative the second time as the first time, differences and lack of insufficient information can occur. Another issue is that since the reality is inconstant, it is impossible to collect identical data every time. This means that one rarely or never, can achieve the same results the second time as the first one (Christensen & Engdahl, 2001).

In order to increase the reliability, our interview guide is attached as an appendix in the end of our thesis. So, it can use in further researches. Moreover, during the interview, we used a tape recorder in order to increase the reliability. Thanks to it, it is possible for us to listen again the interview for don’t forget anything important.

3.6.2 Validity

The validity of a study on the other hand concern the study’s credibility and results. In other words, it measures how the results correspond to the actual reality. The credibility in a qualitative study is based on how systematically the collection and analysis of the data has been carried out, and how openly it has been presented (Christenson & Engdahl, 2001). The quality of the analysis and validity depends on the quality of the interview (Kvale, 1997). In other words, the collection and analysis of data takes place at the same time.

For having valid answers during the interview, interviewers don’t have to ask questions suggesting answers. Another fact that can result in unclear answers is the misunderstanding of the questions or bad translations. Others measures have been taken into consideration during the interview to increase the validity. These measures have been explained in previous section but we are going to mentioned it again. The interview was tapped in a computer that gave opportunities to focus on the conversation and not make mistakes. The choice of the sources was valid because we evaluated it carefully. Our respondents, Catherine Furic and Jean-Louis Dufosset had the access to the information that we needed to answer the purpose of the study. Internet has been excluded has a source.

In this case, the analysis of the data took place during the interview. Indeed, when our respondent gave us answers for our purpose, we asked more questions for finding a real analysis and focus answered. When we thought that our respondent gave important information, we went throughly into this subject. By analyzing the data during the collection, it gave us better opportunities to structure it. The interview guide is also a way of creating validity, by adding as much information as possible to create a picture of the reality. So, during the interview, we follow our interview guide and ask all the questions we have. However, we let our respondent speak about what she wants if she thinks that a subject is interesting and can help us. We are two during the interview, so one of us ask the questions and the other one take notes and analyze in the same time.

Chapter 4: Empirical Data

In this chapter the company background is shortly presented. Then, we introduce Agatha's marketing mix in international markets. All information presented in this chapter is collected thanks to the interviews with Catherine Furic and Jean-Louis Dufosset. This information has been completed with the official website of Agatha (www.agatha.fr).

4.1 Company background

Agatha is a French brand of fashion jewelry founded in 1974. Michel Quiniou, its founder, was inspired to create a brand that bridged the gap between luxury boutiques and nondescript, lackluster chain stores. The name Agatha is the result of a marketing research. It's the mix between the feminine first name "Agathe" and the gem "agate". Nowadays, the brand is well-known thanks to its development and its number of stores all over the world. Indeed, the company is present in 32 countries with more than 280 POS. The turnover of the company in 2009 was around € 60 millions.

Figure 10: Logo of Agatha



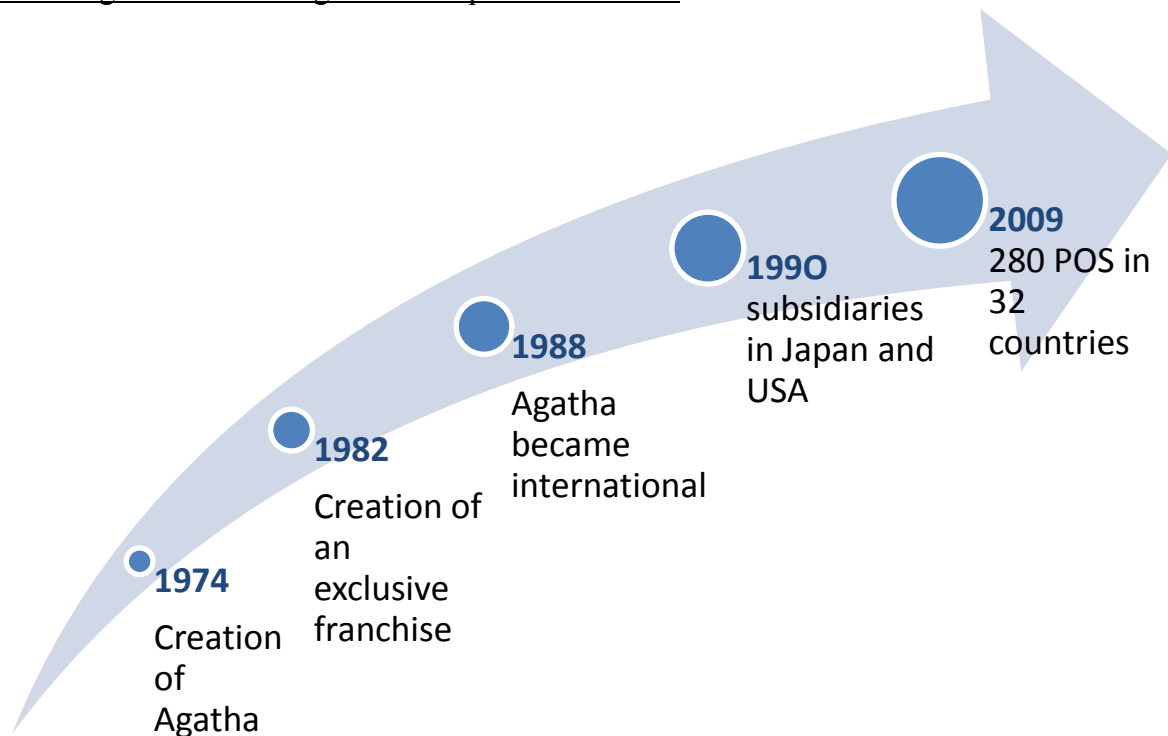
(Source: www.agatha.fr)

Agatha became international in 1988, the year of openings in Japan, Canada and United States to expand their market share and to become an international player in their field. However, the major market stays France with half of the POS of the company in this country. The notoriety of Agatha doesn't decrease these recent years because it enters new international markets: China, Russia, UAE, Lebanon, Poland and New Zealand. Nowadays, the Asian market is one of the strategic priorities for the company, and it is for this reason that the company just opens two POS in Shanghai and Peking. The main problems due to internationalization are a new internal organization with a proper export department and practical obstacles due to cultural differences.

The main targets of the company Agatha are active women who live in cities. Moreover, Agatha can also attract younger people thanks to its fashion collection. This strategy implies the renewal of its collections each season. Others brands have same consumers which imply the following brands as the main competitors: Gas, Reminiscence, Swarovski, Tous, Follie-Follie, Claire's and all the luxury brands which are developing fashion jewelry. Values of the brand which differentiate Agatha from others competitors are affectivity, proximity and the

quality of its products. The company Agatha considers jewel like a product of beauty and wants to affirm its positioning like a specialist of “the first jewel for young ladies”.

Figure 11: Agatha’s chronological development over time



(Source: own construction)

4.2 Agatha’s Products in international markets

Agatha’s jewels are composed of two ranges of products: one top-of-the-range products made in silver, and the other one, bottom-of-the-range which is constituted by fashion jewels made with non-precious materials. These two ranges are composed principally of earrings, bracelets, necklaces, rings and hair accessories.

Most of the collections are designed and standardized on international bases. This standard is a foundation for Agatha so they can keep almost same products in all international markets. Most of the customers outside the European market accept these standardized collections. However, there are some exceptions in countries where jewels vary. Indeed, for some international markets, Agatha was forced to adapt their products. For example, in Korea they have to change the ring size or bracelet and necklace length. Agatha changes the size of their products because of Korean’s morphological factors. Indeed, the size of their bones is smaller than European’s people. Another thing which Agatha takes into consideration when they adapt their products in Korea is the cultural factor “Hallyu”. The term “Hallyu” means the love for Korean pop culture, or the appreciation of all Korean things. Moreover, the popularity of the Korean culture is linked to the economical growth in Asia during the 90’s.

Asian countries improved their purchasing power during their economical growth. The consequence was the diversification of the demand for a new kind of cultural products. Before the 90's, jewels in Korea were only standardized from occidental products. Nowadays, consumer's needs are different; they want more Korean products than European products. So, Agatha has to adapt its collection for the demand of this country. It is the same phenomenon in Japan and China. You can see in the figure 12 the adaptation on products for these countries. Indeed, in the left picture Japanese products are colored and extravagant in comparison with French products in the right picture which are classic and sober.

Figure 12: the adaptation of Agatha's products in Asian countries



(Source: www.agatha.fr)

Agatha is forced to adapt their products in some particular markets like Asia and Africa, due to cultural and physical differences, as we have said above. However, Catherine Furic and Jean-Louis Dufosset say that the adaptation to the market is done voluntarily. This makes them more competitive at the market because of a good quality and adapted to the demand product.

4.3 Agatha's pricing in international markets

Our respondents explain that Agatha adapts the price of their products for international markets. Indeed "each market is having an adapted price". The main factors for them to decide whether the price in a specific market should be standardized or adapted are the transportation taxes, importation and local taxes. Moreover, others factors playing a part when deciding if the price should be adapted or not is very much depending on the competitors.

Agatha looks into their price level when setting their price. In other words, Agatha looks at the market price in every country.

The international department of Agatha situated in Paris decides a different price for each product in all countries depending on the factors above but also depending of the economic situation of the country. Indeed, the purchasing power, the level of life and the development of the country influence the decision of the international department.

For example, in Vietnam, a emerging and developing country (Nilsson, 1998), the population has a low income. Agatha has to decrease its price in this country in order to guarantee more consumers. However, Agatha has to be profitable in this country and it becomes complicated with the price of transportation and taxes if the price of the products is too low. Due to this, Agatha realizes an investigation before launching a product considering the income of the population but also the cost of taxes and transport.

However, Agatha wants to preserve the quality of their products and it is for this reason that they don't develop a cheaper product for the foreign market to penetrate the market better and help the successful product to maintain its market share. Indeed, they want to keep the image of quality and the values of the brand in all international countries.

4.4 Agatha's promotion in international markets

Agatha's promotion consists to for the most part of catalogues, billboards and brochures. Moreover, Agatha uses celebrities as muses like Laetitia Casta or Estelle Hallyday. TV and radio is something that Agatha does not use at all. Agatha gives free gifts for promoting their brand too. For example, you can have USB keys or little toilet bags.

The material in the catalogue is the same all over the world, so we can say that all the promotion tools are produced on international bases. However, it is still adapted to a certain extent. The first one is the language adaptation. It is easy to understand that language have to be adapted for each country. However, the brand keeps some sentences in French for being fashion and glamour like "Agatha c'est moi". Indeed, French represents luxury and fashion. Another thing for the language is that some countries have a high rate of illiteracy, so Agatha has decided to adapt and put fewer sentences but more pictures on their promotion in these countries. The pictures can be adapted in some cases as well. Catherine Furic and Jean-Louis Dufosset give the USA as an example. Pictures that are appropriate in France can be seen as vulgar in the US. The main difference is that the US prefers not having real humans in their pictures. You can see in the figure 13 on the left the USA promotion (only drawings) and on the right the European promotion (real girls).

Figure 13: differences between USA and European promotion



(Source: www.agatha.fr)

Agatha adapts their catalogues but standardize its website. Indeed, when you look for it you find first the French version that you can translate only in English. The company encourages the customers to buy on internet by doing important discounts (-50%) and by having a e-boutique online which proposes a large range of products.

The main factors for the company to decide whether its promotion in a specific market should be standardize or adapted its cultural factors. For example, due to the political instability in the Middle East and the on-going conflict between Arab states and Israel, products that were originally in the catalogue have to be removed. The competitors and the similarity of the infrastructure between countries (media, advertising agencies and production facilities) have no significant impact on the promotion. This may result in the particular Agatha's values which made the company so unique. However, the following factors: the maintenance of the image of the company, the minimization of the confusion for the customers and the economy of scales, have a huge impact on the decision of standardization or adaptation of the promotion.

4.5 Agatha's distribution in international markets

Agatha has made it simple when it comes to the distribution channel. There are 280 stores all over the world which distribute their products. It implies a system of franchise. The $\frac{3}{4}$ of the stores owns to the company Agatha, the rest are franchises which pay a rent and transfer a percent of benefits to the company Agatha. Moreover, products of Agatha are also distributed by other brands like: Printemps or Les Galleries Lafayette. Agatha has to be present in this kind of stores to affirm its position face to the competitors. Moreover, Agatha does not see any problems with cultural differences regarding distribution channels.

The place is standardized. Indeed, almost all stores are the same in terms of size, decoration and organization. They are dark blue with a big window like you can see in the following picture (figure 14).

Figure 14: one store of Agatha



(Source: www.agatha.fr)

Agatha has seen new possibilities for the distribution channels due to Internet. Indeed, as we have said above, Agatha is developing the e-commerce and all the possibilities which come with it. The customer can go on-line and orders all products (s)he wants. Then, (s)he can pay directly on Internet thanks to a security payment system.

4.6 Conclusions of the Empirical Data

To sum up the interview, the respondents say that Agatha is more an adapting company than a standardized one compare to the competitors. They say that because Agatha adapts their products, the rest follow with that, they are very adjustable as a company. At the same time, they offer the same range of products for all markets for having an international base with some modifications when it is necessary for the international culture. Agatha wants their philosophy and values all over the world; they want to have the same profile everywhere.

Chapter 5: Analysis

In this chapter, we analyze the data received from our respondents: Catherine Furic and Jean-Louis Dufosset. Parallels are drawn between the empirical data and the theoretical framework.. In a first part, we do an overall analysis of the marketing mix, and after an analysis is conducted for each component of the marketing mix: the product, the price, the promotion and the distribution. Finally, we conclude about the analysis thanks to a summarized table.

5.1 Standardization versus adaptation of Agatha's marketing mix

As we have explained in the theoretical framework, the decision regarding the standardization or adaptation of a firm's marketing mix is a very important decision that has an enormous impact on a firm's future actions.

It is better for a company to choose the standardization of their marketing mix because it brings a lot of advantages: greater sales volume, lower production costs, greater profitability and integrated image around the world (Keegan & Schlegelmilch, 2001). However, in the reality, it is impossible to standardize all the marketing mix in all international markets. Like we have understood with our case study Agatha, managers have to choose the degree to which they should adapt or standardize their marketing mix (Onkvisit & Shaw, 2004).

In theory, regarding the continuum of adaptation and standardization, the product occurs to be the most difficult element of the marketing mix to adapt. However, the price, distribution and promotion are most easily adapted to a specific culture (Onkvisit & Shaw, 2004; Douglas & Craige, 1995). When we compare the theory with our study case, Agatha, we see that the company does not respect the continuum of adaptation and standardization. Indeed, Agatha adapts its products for a lot of particular market, like Korea or Emirate Arabs but doesn't adapt its distribution. We can conclude that Agatha must behave in a different way than the theory because of one reason: the customer's culture. Indeed, every particular international market has different consumer's needs. Hofstede (1980) stresses the fact that each country has different cultural dimensions. The understanding of these cultural dimensions gives important information to a company because it can anticipate the customer's behavior when launching a new product. Agatha prefers follow Hofstede's theory, adapts its products even if it is more expensive and less profitable for the company because the customers in this way don't reject the product and could be more attracted.

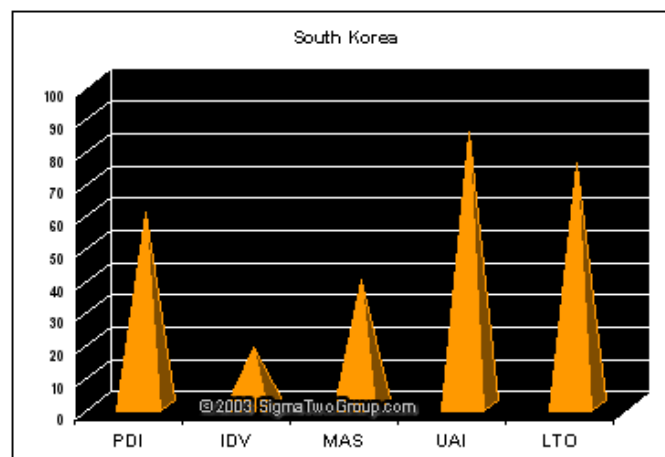
5.2 Standardization versus adaptation Agatha's products

Product standardization is more used for industrial goods products than customer's products and services because these latest have to be adapted to the culture of the country (Czinkota & Ronkanen, 1995). Agatha follows this theory because it adapts its products for international markets.

The more knowledge the company has over the foreign market, the more able it will be to balance their standardization/ adaptation and in the end, the more credibility it will have towards the market. Agatha follows this since they carefully investigate a market before entering it; they conduct a market research. Calantone, Cavusgil, Schmidt and Shin (2004) say that a successful company satisfies the customer wants and needs better than their competitors and their product offerings, and Albaum and Al discuss that a company should concentrate on voluntary adaptation. Supporting this, Catherine Furic confirms that their adaptation to the market is done as their own initiative since a good and not overpriced product makes them more competitive.

Agatha follows also Hofstede’s five cultural dimensions theory. We are going to take the example of South Korea to explain why Agatha adapts its products in this country. As you can see in figure 15, South Korea's highest Hofstede Dimension is Uncertainty Avoidance (UAI) at 85, indicating the society’s low level of tolerance for uncertainty. In an effort to minimize or reduce this level of uncertainty, strict rules, laws, policies, and regulations are adopted and implemented. The ultimate goal of this population is to control everything in order to eliminate or avoid the unexpected. As a result of this high Uncertainty Avoidance characteristic, the society does not readily accept change.

Figure 15: Cultural Dimensions of South Korea



(Source: www.geert-hofstede.com)

The consequence of the high uncertainty avoidance for Korean people is the cultural factor “Hallyu”. Indeed, they don’t want to have changes in their culture and due to this the popularity of Korean pop culture is increasing. It is for this reason that Agatha decides to adapt its product to this international market. We can easily understand with this example that culture influences the decision of standardization/adaptation of the product.

5.3 Standardization versus adaptation Agatha's prices

When discussing factors that influence the pricing issues for international markets, we discovered that Agatha follows most of the factors that we explain in our theory. Instead, Agatha chooses to adapt their price for different reasons.

The first factor is the customer. Indeed, because of their culture and their purchasing power, Agatha has to find the "accepted price" which be tolerated by international customers. Managers have to establish price depending on the foreign customers' revenues, according to Keegan & Green (1999). The second factor is the competitive situation. Agatha looks into the price level of the competitors when setting their price. The third factor is the cost situation, in other words Agatha's prices are influences with the economy of the country and the level of life. And final factors that Agatha's follows are exchange rates, regulations and tariffs. Indeed, Agatha takes care about these factors to be profitable.

We believe that Agatha uses this strategy because they want to control the price level and make sure that their product is not priced to high. They want their product to have the right price.

Moreover, Agatha can take advantages to adapt their prices because it gives the company the opportunity to buys for lower prices and sells for a higher one (Keegan & Green, 1999). So, the economic situation and the purchasing power can be an advantage for Agatha to sell their products with a higher price in developed countries.

To conclude, Agatha has to be profitable in all countries regarding each factor we have mentioned above. It is for this reason that Agatha decreases its prices in emerging countries and increases prices in developed countries in order to guarantee enough customers and be coherent with each economy and culture of a particular international market.

5.4 Standardization versus adaptation Agatha's promotion

The first think to say about the promotion of Agatha it is that they follow Hall's theory. Indeed, Hall stresses the fact that in low-context society promotion will pay more attention to the literal meanings of words than of the context and in high-context society it is the contrary, images are more important than words. Agatha totally agrees with this theory and they adapt their promotion regarding this. Instead, in Latin America for example (high context society), pictures take more places in their billboards than slogans or words explanation. This strategy is also confirmed because of the rate of literacy in this country which is lower than in European countries.

The promotion of Agatha has international bases, in other words we can say that it is standardized and only little modifications are done in some countries. They took this choice because they want to minimize their promotion cost. They have chosen a slogan which is efficient in all international countries "Agatha, c'est moi", a French slogan which shows the

image of the brand: quality, fashion and luxury. Agatha follows the theory of Keegan and Green (2001) “marketers have to create an advertising message which is effective all around the world”.

As we have explained, they do promotion with international bases but they have to adapt when the culture needs it. We are going to explain one example which is relevant for understand the strategy of Agatha. Our respondent stressed this example because they explain that Agatha makes modifications in their promotion. They have a major launching next October: a collection of 22 pendants in 9 carats gold. To promote this launching, Agatha is producing a catalogue showing these 22 pendants. Among them, there is a "menorah" which is one of the symbols of the Hebraic religion. They are launching this collection in countries like Saudi Arabia, Unit Arab Emirates, Lebanon and Turkey and the international department decides to take off this symbol from the catalogue. Therefore, Agatha decides to do a different promotion for those countries. We can conclude that Agatha follows the theory of Theodosiou & Leonidou (2002) which explains that promotion can be affected by religions. We can say that Agatha prefers adapting the promotion through minor modification with a relatively cost effective strategy, since changing promotion message is not such an expensive thing to do. In conclusion, we can say that culture influence the decision of adaptation/standardization of Agatha's promotion.

5.5 Standardization versus adaptation Agatha's distribution

Concerning the distribution, Agatha doesn't follow the theory we have explained in our theoretical framework. Indeed, in the continuum of adaptation and standardization, distribution is one of the components of the marketing mix easily adaptable. Moreover, according to Onkvisit and Shaw (2004) the distribution channels have a degree of adaptation or standardization depending on which country the firm is established. However, Agatha standardizes its distribution and in this way reduces its cost and increases its profitability. Agatha can standardize its distribution because its concept is available with all cultures around the world. Indeed, Agatha is present in 32 countries thanks to a system of franchise. It means that all Agatha's shops are similar: dark blue with a big window, same size, decorations and organizations.

However, Kale and McIntyre (1991) explain that a distribution channel have to be adjusted to the culture in the country and the existing channels in it. The count for cross cultural differences in countries across the globe can be argued by four dimensions known as Hofstede's theory. The first dimension talks about individual versus group decisions (Individualism). The second one talks about attitude toward superiors and subordinated (Power distance). The third one talks about attitude toward stress, younger people and need for rules and regulations (Uncertainty Avoidance), and the last one talk about roles of men and women (Masculinity). This is something that Agatha as to consider when they hire employees in their different POS.

Agatha has seen new possibilities for their distribution activities due to Internet. Nowadays, Agatha's customers can trace the product through the Internet and they can easily see where in the distribution chain the product is. Internet has therefore become a source of safety for Agatha's customers.

5.6 Conclusions of the Analysis

The table 15 is a conclusion of the analysis of our Data collection. It explains for each component of the marketing mix which theory is used or not by our study case: Agatha. We can say that the company follows almost all the theories that we explain in our theoretical framework. It is interesting to know that because it puts forward that companies are still using this kind of theories for their marketing strategies and organization.

Table 16: Marketing mix theories and Agatha's use of them

S/A of products	Agatha 's products S/A
Customers product and services have to be adapted to the culture of the country	YES
Companies should concentrate on voluntary adaptation	YES
Use of Hofstede's five cultural dimensions to know how customers are going to react when a new product is launched in their country	YES
According to the continuum of S/A product is difficult to adapt	NO
S/A of price	Agatha's price S/A
Factors driving price differentiation: customer preferences, competitive situation, cost situation, exchange rates, tariffs and duties	YES
Factors driving price standardization: reduction of trade barriers, decreasing transportation costs, improved communication, increasing brand globalization	NO
Opportunity to sell in a higher price in developing countries	YES
S/A of promotion	Agatha's promotion S/A
Use of Hall's theory about communication to know how the company can promote its products depending of the high and low context society	YES
Marketers have to create an advertising message effective all over the world	YES
Promotion can be adapted through minor modifications with a relatively cost effective strategy	YES
S/A of distribution	Agatha's distribution S/A
According to the continuum of S/A distribution is easily adaptable	NO
Use of Hofstede's theory to adjust the distribution channel to the culture (hire employees)	PARTLY

*S/A= standardization versus adaptation
(Source: own construction)

Chapter 6: Conclusions

In this chapter, the conclusion of our study is presented. We try to answer the problem question and purpose. And finally, we do conclusions about each component of the marketing mix.

6.1 Answer to the purpose

The purpose with this study has been to compare two strategies, standardization and adaptation, to show how companies manage cultural differences. The study has examined how Agatha, a company which is international has managed to standardize/ adapt its marketing mix for foreign markets. Agatha takes the decision to adapt its products to the different cultures in international markets. Indeed, when launching a product Agatha prefers spend more money on adaptation and in this way its permits to the product to be not rejected by the population. It is the same thing for the price. Agatha takes into consideration the purchasing power of the population and the economy of the foreign country. It permits for the company to catch more customers and be profitable. For the promotion, Agatha decides to standardize its slogan and images but do some modifications when it is necessary. They decide to standardize for the high cost of an adapted promotion. However, Agatha's products, promotions and prices are created in international bases and only adapted when it is necessary for the culture of the country. And finally, Agatha decides to standardize its distribution for keeping the same image all around the world and facilitate the organization. Thanks to our case study Agatha, we can say that all companies take into consideration cultural differences and they have to manage with. In this way, they have to choose the adaptation or the standardization of their marketing mix. In reality, almost none marketing mix is totally standardized or adapted. A company has to choose the degree of adaptation and standardization. The right degree of Agatha is standardized all products, promotions and prices when it is possible (because it is more profitable) but adapting to the culture when it is necessary and when it will be profitable for the company. Even if the company adapts its marketing mix, they keep the same image and values all over the world.

6.2 Reflections

No generalizations can be drawn from our data since we are only studying one company. This study can be interesting from a company because Agatha is a successful company with a successful concept and the company uses both strategies with different degrees. As we understand it, Agatha is a company growing in international markets.

We think that Agatha's experience can be useful for others companies deciding whether to adapt or standardize their products to the international market. They can look at Agatha to see the importance of adapting the product to customers on the foreign market, in order to succeed. This might show that a company when taking the initiative to adapt to customers'

needs, also listens to customers' demands and works in line with this when improving and developing their products.

Cultural differences are affecting the degree of adaption on different markets. The results have shown that Agatha has been forced to adapt their products to the local culture, to be able to penetrate desirable segments. The study also shows that adaptation of the product usually leads to adaptation of the others elements of the marketing mix as well. That means that when culture affect the level of adaptation of one element, it also affect the level of adaptation of the others elements of the marketing mix. Indeed, cultures affect the degree of adaptation and determine the balance between standardization and adaptation of the marketing mix on particular international markets.

Based on the findings of the study, it is safe to state that markets and especially customers are differentiated. Each person and each country are unique. That means that former experiences cannot be directly applied from one situation to another. Instead, it also means that firms need to take cultural differences into consideration and find different ways when operating in different regions. The authors believe that firms must learn to find most efficient ways to balance their marketing mix between standardization and adaptation. The key word is to think globally and act locally.

6.3 Implications for further research

Thanks to this study, we can do conclusions about the international marketing strategies of Agatha. Agatha is a successful company in all international markets because they have found the right degree of adaptation and standardization of their marketing mix. However, to know if our findings could be applied to all international companies, further researches have to be done:

- Compare how several companies manage with cultural differences in international markets. In our thesis, we study only one company, but it could be interesting to compare different strategies of different companies.
- Compare how companies of different sizes manage with cultural differences in international markets. Indeed, a SME could have different strategies than a big company like Agatha.
- Compare how companies in different sectors manage with cultural differences in international markets. We have only studied how Agatha which is a jewels company manage to do it, but it could be interesting to analyze different strategies in others sectors.

List of references

Agatha's official website from www.agatha.fr

Armonstrong, G. & Kotler, P. (2008). Principles of marketing (12th edition).

Calantone, R.J. , Cavusgil, S.T, Schmidt, J.B. & Shin, G.C. (2004). "Internationalization and Dynamics of Product Adaptation. An Emperical Investigation", Journal of Product Innovation Management, no 21, p185-198.

Christensen, L., Engdahl, N., Graas, C. & Haglund, L. (2001), *Marknadsundersokning-en handbok-2 upplagan*. Studentlitteratur, Lund.

Czinkota & Ronkanen, M. & Ronkanen, A. (1995). *International marketing, 4t edition*. Harcourt Brace and company, Florida.

Descombe, M. (1998). *Forskningshandboken*. Lund: studentlitteratur.

Doole, I.& Lowe, R. (2001). *International MarketStrategy*.

Douglas & Craige, S.P. & Craige, C. (1995). *Global marketing strategy*. Mc:Graw-Hill Inc,USA.

Doyle, P & Stern, P. (1994). *Marketing Management and Strategy* (fourth edition)

Dwyer, S., Mesak, H. & Hsu, M. (2005). "Journal of International Marketing". Vol. 13, No. 2.

Gummesson, E. (2002). *Qualitative Methods in Management Research* (2nd edition). Thousand Oaks, CA: Sage Publications Inc.

Hall, T. (1960). *Understanding cultural differences*.

Heenan, D. A. and Perlmutter, H. V. (1979) *Multinational Organizational Development: A Social Architectural Approach*. Reading, MA: Addison-Wesley.

Hofstede, G (1994). *Cultures and organizations*.

Hofstede's cultural dimensions website www.geert-hofstede.com

Holden, N.(2000). *Cross-cultural Management- A knowledge Management Perspective*.

Hollensen, S. (2001). *Global Marketing* (2nd edition).

Kale, S.H. , & McIntyre, R.P. (1991). "Distribution Channel Relationships in Diverse Cultures", International Marketing Review, vol 8, no 3, P 31-45

Keegan, J.K. & Green, S.M. (1999). *Global Marketing – 2nd edition*. USA.

Keegan, J.K. & Schlegelmilch, B.B. (2001). *Global marketing management – A European Perspective*. Ashford Colour Press Ltd., Gosport.

- Keegan, W.J. (2001). *Global marketing management*.
- Kotler, P., Wong, V., Saunders, J. & Armstrong, G. (2008). *Principles of Marketing*.
- Kvale S. (1997). *Den kvalitativa forskningsintervjun*. Studentlitteratur, Lund.
- Kylén, J-A. (2004). *Att få svar: intervju, enkät, observation*. Bonnier Utbildning AB, Vellinge.
- Lee, J. A., (1966). "Self reference criteria was originally coined Cultural Analysis in Overseas Operations", Harvard Business Review.
- Levitt, T. (1983). "The Globalization of Markets". Harvard Business Review
- McSweeney, B. & Holden, R. (2002). "Model of National Cultural Differences and Consequences: A Triumph of Faith - A Failure of Analysis, Human Relations", 55.1, 89-118.
- Myers, M. D. and Tan, F.D (2002). "Beyond models of national culture in information systems research." Journal of Global Information Management, Vol 10, No.1, pp 24-32.
- Onkvisit & Shaw, S. & Shaw, J.J. (2004). *International marketing – Analysis and strategy, 4th European Edition*.
- Paul, F. & Eriksson, L. (1997), *Att utreda, forska och rapportera*. Liber ekonomi.
- Pucik, V. (2007). "Global HR competitive advantage: are we ready?".
- Selfridge, R.J. & Sokolik, S.L. (1975) "A Comprehensive View of Organizational Development", MSU Business Topics.
- Svensson, P.G. & Starrin, B. (1999). *Kvalitativa studier i teori och praktik*. Studentlitteratur, Lund.
- Theodosiou & Leonidou, M. & Leonidou, L. (2002). "Standardization versus adaptation of international marketing strategy: an interactive assessment of the empirical research". International Business Review, Vol.12, pp.141-77.
- Usunier, J.C (1993). *International marketing: A cultural Approach*.
- Yin, R.K (1994). *Case study research*, (2nd edition).

Appendix 1: Interview guide

Concerning the company Agatha:

- 1) What are your name/ position/ title in the company?
- 2) Present your range of products
- 3) Why and when did you go international?
- 4) In how many different countries are you implanted?
- 5) Have you recently enter new markets in a new country?
- 6) Who are your customers, both domestically and internationally?
- 7) Who are your competitors?
- 8) Growth rate/ turnover of the company?
- 9) What are your major markets?
- 10) Growth rate in exports?
- 11) Changes/problems due to internationalization?
- 12) You can add some important ideas about the company

Product

- 1) Do you adapt or standardize your product for international markets because of cultural differences?
- 2) Can you give us an example of a country that you were forced to adapt your product because of the culture and why?
- 3) What are the main factors for you to decide whether your product in a specific market should be standardized or adapted?
- 4) What types of modifications do you make in your product? Explain
- 5) Are you forced to adapt your products because of cultural differences? Or do you do it voluntary?

Price

- 1) Do you standardize or adapt the price of your products in international markets?
- 2) What are the main factors for you to decide whether your price in a specific market should be standardized or adapted?
- 3) What types of modifications do you make in your price? Explain
- 4) Have you developed a cheaper product for the foreign market to penetrate the market better and help the successful product to maintain its market share?

Promotion

- 1) Do you standardize or adapt your promotion in international markets?
- 2) What are the main factors for you to decide whether your promotion in a specific market should be standardized or adapted?
- 3) What types of modifications do you make in your promotion? Explain

- 4) How do the following factors, on a scale between 0-10 (0=low, 10=high) impact the decision of standardization/adaptation of promotion?
- Competitors
 - Experience of the organization
 - Similarity of the infrastructure between countries (media, advertising agencies, production facilities)
 - Governmental regulations
 - Culture
 - Maintain the image of the company
 - Minimize confusion for the customer
 - Money-Economy of scale

Distributions channel

- 1) Do you standardize or adapt your distributions channel in international markets?
 - 2) How do you engage in distribution? (export, establishing a manufacturing plant, assembly operations, strategic alliance)
 - 3) What are the main factors for you to decide whether you distribution channel in a specific market should be standardized or adapted?
 - 4) What types of modifications do you make in your distribution channel? Explain
- To sum this up, where in the continuum regarding standardization and adaptation would you say your company is?
 - Can you say if cultural differences play an important role for the decision of adapting or standardizing your products?
 - Do you wish to add something?