



Strategic Navigation in Global Markets: Unveiling International Marketing Challenges

Yinan Liu

Department of Foreign Languages, Guangzhou College of Technology and Business, Guangzhou 510850, Guangdong, China
DOI: 10.32629/memf.v5i2.1951

Abstract: In the realm of international marketing, strategic navigation proves essential as companies confront a myriad of challenges. This thesis starts from complexities surrounding global markets, shedding light on distinct facets such as psychic distance between different markets and self-reference criterion, the standardization versus adaptation dilemma, brand-name power dilution and partner selection challenges. As companies embark on the evolutionary process of entering new markets, they must navigate linguistic, cultural, and competitive disparities. Effectively addressing these challenges demands strategic foresight and adaptability in the ever-evolving global business landscape, marking a crucial aspect of successful global market engagement. Concrete examples, such as Mary Kay Cosmetics' unique whitening products in Japanese market, IKEA's adaptive strategies in the Chinese market and Samsung-Tesco's commitment to overcoming brand-name power dilution in South Korean market, serve to illustrate the practical implications of these challenges.

Keywords: international marketing challenges, psychic distance, brand-name power dilution

1. Introduction

What makes international marketing challenging is molding the controllable elements of marketing decisions (product, price, promotion, distribution, and research) within the framework of the uncontrollable elements of marketplace (competition, politics, laws, customer behavior).[1]The uncontrollable elements are factors that need considering in international marketing. Generally, companies face challenges such as intense competition, linguistic and cultural disparities, and the intricacies of shipping services. Moreover, companies also need to consider psychic distance between different markets and overcome self-reference criterion. Besides in the dilemma of standardization or adaptation of marketing activities, companies might face dilution of brand name power even as global famous bands. And finding compatible and competitive partner might not be easy as expected for international companies. These challenges are inherent in the evolutionary process that unfolds as companies make critical decisions to enter new markets. Effectively addressing these challenges requires an understanding of the dynamic interplay between controllable and uncontrollable elements, coupled with strategic foresight and adaptability in the ever-changing global business landscape.

2. Challenges in International Marketing

This part delves into the complexities surrounding global markets, shedding light on distinct facets such as psychic distance, the standardization versus adaptation dilemma, brand-name power dilution and partner selection challenges.

2.1 Psychic Distance Between Different Markets and Self Reference Criterion

Psychic distance and the Self Reference Criterion (SRC) play crucial roles in the success or failure of international marketing strategies. Psychic distance could be generally defined as differences between home and foreign markets regardless of space and time difference. These differences include cultural and linguistic difference, economic difference, and political and legal system difference. Proper consumer due diligence prior to entry into foreign markets is very important as psychic distance exists in different countries. So competitive analysis on country level, industry level and firm level is necessary as company's international activities are directly related to psychic distance.

An illustrative example is Mary Kay Cosmetics (MKC), an American brand that recognized the unique preferences of Japanese consumers for fair complexion. MKC noticed that Japanese has special interest in fair complexion and whitening products are popular, so before entering Japanese market they established product line including whitening products for Japanese customers though whitening products were not widely available in the US. Cultural awareness is a critical factor in international marketing. Besides psychic distance, companies need to overcome Self Reference Criterion in international marketing. Self-reference criterion refers to frames of reference that makes decisions based on own cultural values,

experience, and knowledge. For Self-reference criterion It is assumed that what is suitable at home market works in foreign market as well. Starbucks entered Israel market with confidence based on Self-reference criterion that Israeli has adulation for American brands, ignoring intense local competition.[2]To overcome these challenges, companies must conduct comprehensive competitive analyses at the country, industry, and firm levels. This ensures that international activities are aligned with the specific psychic distance of the target market. Moreover, acknowledging and overcoming the SRC are imperative for adapting marketing strategies to the unique cultural contexts of foreign markets.

2.2 The Dilemma of Standardization VS Adaptation of Marketing Activities

The dilemma between standardization and adaptation of marketing activities is a pivotal challenge for companies operating in international markets. This strategic decision involves determining whether to maintain a uniform approach across different markets or tailor marketing strategies. Levitt argues in *The globalization of markets* that the world is becoming homogeneous. While de Mooij used examples of soft drinks, clothing to show that consumer behavior is diverging rather than converging. For example, in certain European countries, consumers might favor local or regional carbonated beverages or mineral waters over widely recognized global brands. Cultural norms and preferences influence clothing choices.[3] One of the challenges for company in international marketing is implementation of standardization of marketing strategy or adaptation, and which orientation in EPRG framework. Ethnocentric Orientation generally do not adapt products to local customers and overseas subsidiaries need to follow standard at home country. Geocentric orientation targets at global customer and encourages global marketing, irrespective of nationality. Zara, the famous Spanish fashion brand, thinks highly of R&D, namely the design of cloths and marketing in value chains, and store location in prime locations for Zara is one of the methods in marketing to reach niche market. Initially Zara used ethnocentric strategy in which successful experience in Spanish stores was replicated in foreign markets but found out unexpected difficulties due to cultural difference. Recognizing the need for adjustments to accommodate local conditions, Zara transitioned to a geocentric orientation. This approach involves tailoring strategies to the specific needs and preferences of each market such as size difference in Asian market to target global customer. For Zara, prioritizing research, and development (R&D) in the design of clothes and marketing within the value chain indicates a commitment to understanding local consumer preferences and adapting products accordingly. Store locations in prime areas further illustrate a focus on reaching niche markets and catering to local tastes. In conclusion, Zara's strategic shift from ethnocentrism to geocentrism underscores the importance of cultural adaptation in international business.[4]The choice of orientation is not one-size-fits-all but is contingent on various factors.

Some companies believe that the successful business model and marketing strategies can be replicated in another markets. Standardization can help build the global brand building and cut the cost as the cost can be split into different markets, while complexity and diversity are found in international marketing operations. The case of IKEA provides a compelling example of the dynamic decision-making process between standardization and adaptation in international marketing, considering cultural, economic, and market-specific factors. IKEA's business mission is to provide as many as people a wide range of low-price, well-designed functional products. The standardization of products, product range, the store and the category made it possible to keep price low and same brand image all over the world. Standardization enables cost efficiencies as it allows for economies of scale. By replicating successful models across different markets, IKEA can share costs and maintain a uniform brand identity. Only advertising is controlled by the local managers. Customers' perception of IKEA's low-price brand image is different from that from other countries. IKEA in China was allowed to expand sourcing from China for cutting prices in Chinese Market as the imported products are subject to 22% of import taxes, the adaptation in sourcing locally also helps to decrease the lead time. This adaptation not only cut costs but also demonstrated a strategic response to local market conditions. It is admitted that IKEA is the successful example of standardization in USA and Europe, while the successful standardized marketing strategies could not directly be duplicated in foreign markets like Asia where far psychic distance and low acceptability of self-service and DIY concepts exist. IKEA still needs adjusted marketing activities in culturally specific aspects like adding special balcony sections in the stores to attract local Chinese customers. Successful standardized strategies in one region may not directly translate to success in culturally diverse markets.

2.3 Dilution of Brand-name Power

Expanding on the challenges faced by international companies in dealing with the dilution of brand-name power. International company sometimes takes it for granted that the strength of their brands can easily crash the local markers, focusing on the global expansion rather than catering to local's needs. While in some countries like in Australia or Korea, there is strong sense of buying local products. As local customers think it's unappropriated or even immoral to buy foreign products, international companies' products and services might not be popular as expected. It's a challenge for international company to deal with dilution of brand-name power.

Starbucks believe that distinctive and memorable brand, a product that made people feel good and enjoyable delivery channel help to build customer loyalty. Starbucks became phenomenon as it sold not only coffee, but also experience. Starbucks believed in the power of a memorable brand and aimed to create a unique experience for its customers. However, Starbucks was defeated by local competition in Australia where has mature and sophisticated coffee culture. As global brand, Starbucks overestimated product differentiation and failed to attract Australia customers in value-adding services, like its unique services cape, engaging customer service and brand image. Some Australian tried Starbucks for the initial curiosity about Starbucks, only to find that over-priced and world-known coffee didn't meet their expectation as gourmet coffee, showing little difference with their suburban barista like Gloria Jean's and Coffee Club. Local competitors like Gloria Jean's and Coffee Club, with a more authentic understanding of the Australian coffee scene, were able to meet the expectations of consumers better. Australian consumers value local products and community support. This phenomenon is reflective of dilution of brand-name power, where individuals feel a sense of obligation to buy local and perceive foreign products as inappropriate or even immoral. In conclusion, the Starbucks case in Australia highlights the importance of understanding local preferences when expanding globally. International companies must recognize the need for adaptation and localization to cater to the unique needs.

Another world-known big retailer Wal-Mart faced dilution of brand-name power as Starbucks faced in Australia. According to Kwak, dilution of brand-name power in South Korea posed a significant hurdle for Walmart. Despite its internationally recognized market positioning and low-price marketing strategy, Walmart struggled to attract South Korean customers. The lack of local customization and adaptation played a crucial role in Walmart's decision to withdraw from the South Korean market, although young Koreans shared similar characteristics as western customers. Common internationally recognized market positioning and low-price marketing strategy of Wal-Mart failed to attract South Korean Customers partially because the brand-name power isn't strong as in other countries that similar to home market. However, the competitor of Wal-Mart in retail industry, Tesco, to some extent overcame dilution of brand-name power in South Korea, achieving great success via the partnership with Samsung. Samsung-Tesco, a localized version of the global retailer, created the image of locally based discount stores by implementing strategic localization in various aspects of its operations. One key aspect was the localization of the employee base. To create the image of locally based discount stores, Samsung-Tesco localized the employ base, even the CEO of Samsung-Tesco was Korean, given considerable autonomy to decide strategic development in many aspects such as employment policies and site decision. Samsung-Tesco demonstrated a commitment to understanding and integrating with the local culture. While the competitor Carrefour in South Korea was struck in the scandal of unfair labor and labor lockout and tried to alter hiring practices and employ more local managers for recovering brand image. The success of Samsung-Tesco proved that in countries where customer culture is characterized by suspicion of foreign products and preference for local product groups, strategic localization in marketing mix is key to success. When deal with the challenges of dilution of brand-name power, strategic localization and partnership with local enterprises could be good choice, as the partnership and localization of employment base help to build image of locally based stores. Building an image of a locally based store through partnerships with local enterprises and empowering local leadership enhances acceptance among consumers who may be suspicious of foreign products. This approach aligns with the idea that adapting to and respecting local customs and preferences is crucial for international retailers in local markets.

2.4 Challenges in Choosing the Right and Reliable Partner

As partner in foreign markets could be catalyzer in success, the choice of a suitable and reliable partner plays a crucial role in the success of international marketing endeavors. Starbucks, the global coffee band chose to work with Delek Israel Fuel Company (DIFC), the operator of gas station and convenience store as joint venture when entering Israel market. Collaboration, commitment and trust, mutuality of interest and common purpose are important drivers of mindshare when choosing partner. Starbucks generally chose partners with similar expertise with its own for license agreement for being complimentary to each other in resources, like Maxin's Catering Ltd., the local retailer operating bakeries in Hong Kong. Although DIFC was the second largest distributor of fuel in Israel and had its own chain of Menta fast food restaurant, DIFC had large competitive and cultural gulf with Starbucks as Starbucks refused to support to incorporate Starbucks units into gasoline stations. It is joked that the only connection between DIFC and Starbucks is that they are both selling black liquid, the joke showing the incompatibility of DIFC and Starbucks corporate culture. It is true that Starbucks didn't have enough due diligence and wanted to count on the Israeli adulation on American brands regardless of tense local competition of Israel coffee chain to achieve success in Israel market, but the wrong choice of partner could be the main reason for withdrawal in Israel. DIFC operated the business of selling commodity that is difficult for customers to differentiate by brands and the commodity-driven firms focus more on efficiency, while Starbucks focus on the differentiation of products like creating the third place. Starbucks, known for creating a unique third-place experience, found it challenging to align with DIFC's business

model, which primarily focused on selling commodities with minimal brand differentiation. Consequently, the joint venture found it failed to base competitive advantages based on both efficiency and differentiation of products. The failure of the joint venture can be attributed to Starbucks' lack of thorough due diligence and an overreliance on the assumption that Israeli consumers would readily embrace American brands, irrespective of intense local competition from Israeli coffee chains. The mismatch in corporate cultures and business priorities ultimately led to Starbucks withdrawal. This case underscores the importance of carefully selecting partners who share similar values, goals, and business models. Successful international expansion requires a deep understanding of local markets, cultural nuances, and the ability to find partners that align with the brand's ethos. In Starbucks' case, the wrong choice of partner significantly contributed to the challenges faced in Israel, emphasizing the need for strategic partnerships that foster both efficiency and product differentiation, in line with the brand's core values.

The strategic merger between Tesco and Samsung Corporation's distribution unit in South Korea exemplifies the adoption of a territorially embedded model to overcome dilution of brand-name power and enhance responsiveness to local customers. According to Henderson, this approach aligns with the concept of territorial embeddedness, which refers to the nature and extent of relationships formed between transnational and local firms within a Global Production Network (GPN). Tesco believed that in retail industry, local practices are more important and more practical than global standard, so Tesco, together with its partner Samsung in South Korea was given considerable power to make strategic decisions, which led to a highly collaborative partnership with Samsung in South Korea. Tesco, in collaboration with Samsung, acknowledged the significance of tailoring its strategies to the local market. This territorial embeddedness model granted considerable decision-making power to the partnership, allowing them to adapt to the unique demands and preferences of South Korean consumers. Unlike a one-size-fits-all global standard, this approach recognized the importance of localized practices in the retail sector. For example, as Samsung-Tesco noticed that South Korean customers shop more frequently and buy less each shopping trip comparing with customers in other countries due to their desire for fresh meat and vegetable, Samsung-Tesco thought highly of establishing direct procurement channel with local producers and manufacturers in South Korea. This move was in stark contrast to international competitors like Wal-Mart, which adhered to standardized formats and did not prioritize fresh food sections in their South Korean stores. Wal-Mart had not set fresh food section, following international standard formats.[5] The success of Samsung-Tesco in understanding and meeting the specific needs of South Korean consumers demonstrates the effectiveness of a strong local partnership. It is proved that a good local partnership helps the company get better understanding of local customers and transfer core competences.

3. Conclusion

Companies face challenges like intense competition, linguistic and cultural disparities when entering new markets. Additionally, the psychic distance between different markets and the need to overcome self-reference criterion must be considered. In the dilemma of standardization versus adaptation of marketing activities, companies might encounter brand-name power dilution even as globally renowned brands. Choosing a compatible and reliable partner may not be as straightforward as anticipated for international companies. These challenges are inherent in the evolutionary process as companies venture into new markets. Effectively addressing them necessitates a deep understanding of the dynamic interplay between controllable and uncontrollable elements in the ever-changing global business landscape.

References

- [1] Ghauri P, Cateora P. *EBOOK: International Marketing*[M]. McGraw Hill, 2014.
- [2] Kalnins A, Stroock L. Pouring Israel into a Starbucks cup[J]. *Cornell hospitality quarterly*, 2011(52), pp. 135-143.
- [3] De Mooij M. Consumer behavior and culture: Consequences for global marketing and advertising[J]. *Consumer Behavior and Culture*, 2019, pp.1-472.
- [4] Lopez C, Fan Y. Internationalisation of the Spanish fashion brand Zara[J]. *Journal of Fashion Marketing and Management: An International Journal*, 2009(13), pp.279-296.
- [5] Gandolfi F, Strach P. Retail internationalization: gaining insights from the Wal-Mart experience in South Korea[J]. *Review of International Comparative Management*, 2009(10), pp.187-199.