

**IMPACT OF STANDARDIZATION AND  
ADAPTATION STRATEGIES WHILE ENTERING NEW  
INTERNATIONAL MARKETS:  
CASE STUDIES OF MCDONALD'S AND IKEA**

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**ABSTRACT**

Globalization has emerged and developed significantly since the early 1980s, that’s when the debates evolving around companies’ searching for developing and applying suitable strategies to tap into different international markets. As an example, standardization of certain products and services in all market locations, is one way a strategic goal of some companies, on the controversy some companies may go for adaptation strategies in various markets to be able to satisfy tastes, likes, preferences and habits of the consumers. Any business that wishes to expand its operations and go international, is entitled to choose between changing its marketing mix and strategies to adapt to the new market properties and customer segments and keeping its original marketing strategies without changing them.

This thesis aims to look into the standardization and adaptation of marketing mix activities by conducting descriptive case studies in the international firm context by using primary and secondary data. Two international firms coming from different industries are set under investigation, McDonald’s, and IKEA. There are some distinctions between two cases as first company being a franchising organization and the other one is a multinational company. The results show that adopting either of the strategies depends on many factors, such as the type of industry, difference in cultures, characteristics of the penetrated market, and their previous experiences in other markets with similar situations and cases.

This research showed that the difference in cultures is a basic component to be taken into consideration when making the decision of going international and implement certain strategies. Companies choose either standardization or adaptation strategies, or even both of them in a specific market based on the characteristics of this market. In the discussed cases here, some markets did not require using the adaptation strategy, since the culture and the customers in these markets were similar to the already followed marketing strategies, such as IKEA in the UK. However, the same company couldn’t succeed in using only the standardization strategy in another market that is

completely different than the UK market which is the Chinese market. IKEA was smart enough to change its strategies and switched to the adaptation strategy which revealed a huge success later on. On the contrary, McDonald's which is coming from an industry that is widely distinct from that of IKEA's, proved that the food industry cannot succeed in multinational dimensions without using the adaptation strategy. Going back to the main point, the culture as mentioned is the most important factor to be considered, and food is indeed a big part of any country's culture. However, at the same time, McDonald's uses a bit of the standardization strategy in markets that are relatively similar with small modifications to fully adapt to the place where it's operating.

**Keywords:** Adaptation, Standardization, Marketing Mix, McDonald's, IKEA.

# ULUSLARARASI PAZARLARA GİRİŞ SÜRECİNDE STANDARTLAŞMA VE ADAPTASYON STRATEJİLERİNİN ETKİSİ: MCDONALD'S VE IKEA VAKA ANALİZLERİ

## ÖZET

Küreselleşme, önemli ölçüde 1980'lerin başlarından itibaren ortaya çıkarak gelişmiştir. Bu dönem şirketlerin farklı uluslararası pazarlara girmek için uygun stratejiler geliştirme ve uygulama arayışları etrafında oluşan tartışmaların evrildiği bir dönemi oluşturmaktadır. Örneğin: belirli ürün ve hizmetlerin pazarın tüm bölümlerinde kullanılan standartlaştırılmış ürün stratejisi, bazı firmaların stratejik hedeflerinden birisi olmuştur. Öte yandan, bazı firmalar, tüketicilerin ihtiyaçları, beğenileri, tercihleri ve alışkanlıklarını tatmin edebilmek için, o pazara yönelik adaptasyon/uyum stratejilerine başvurmuşlardır. Faaliyetlerini genişletmek ve uluslararasılaşmak isteyen her firma, pazarlama karmasını ve stratejilerini yeni pazar özelliklerine ve müşteri bölümlenmesine uyum sağlamak için değiştirmek ya da hâlihazırdaki pazarlama stratejilerini sürdürmek arasında seçim yapabilmektedir.

Bu tez, firmalarca yürütülen uluslararası pazarlama karması faaliyetlerinin, standartlaşma ve uyumlandırma stratejilerinin vaka çalışması yürütülerek araştırmayı amaçlamaktadır. Farklı sektörlerden (hızlı-yemek hizmeti sağlayan restoran ve ev eşyaları, mobilya), iki tanınmış uluslararası firma olan McDonald's ve IKEA firmaları, birincil ve ikincil verilere dayanarak incelenmiştir. McDonald's bir franchising kuruluşu; IKEA ise çok uluslu bir şirket olması açısından iki vaka birbirinden farklılıklar içermektedir. Sonuçlar, stratejilerden herhangi birinin benimsenmesinin; endüstrinin türü, ürün ve hizmetlerin sunulduğu ülkenin kültürlerindeki farklılıklar, nüfuz edilen pazarın özellikleri ve farklı pazarlarda önceki deneyimler ve benzer durumlar gibi birçok faktöre bağlı olduğunu göstermektedir.

Bu araştırma, en uygun stratejinin hangisinin olduğuna ve nasıl uygulanacağına ilişkin kararlar verilirken; faaliyet gösterilen ülkelerdeki kültür farklılıklarının dikkate alınması gereken temel bir bileşen olduğunu göstermiştir. Şirketler, pazarın özelliklerine göre belirli bir pazarda standartlaşma veya adaptasyon stratejileri; hatta her ikisini de seçerler. Vaka analizi sonuçlarına göre, firmalar buldukları pazarlardaki kültür ve müşteriler, firmanın takip ettiği pazarlama stratejine benzer olduğunda örneğin İngiltere'deki IKEA gibi; adaptasyon stratejisine gerek duymadan standardizasyon stratejisi ile ilerlemektedirler. Aynı firma, İngiltere pazarından tamamen farklı olan Çin pazarında ise, sadece standardizasyon stratejisini kullanarak başarılı olamamıştır. IKEA, stratejisini değiştirecek kadar çevik bir yaklaşımla ve daha sonra büyük bir başarı sergilemesini sağlayan adaptasyon stratejisine geçmiştir. IKEA'dan farklı olarak, McDonald's, gıda sektöründe çok uluslu boyutta adaptasyon stratejisini kullanmadan başarılı olunamayacağını kanıtlamıştır. Kültür ise; dikkate alınması gereken en önemli faktör olup, yemek bir ülkeye ait kültürün vazgeçilmez bir parçasıdır. Öte yandan McDonald's adaptasyon stratejisine paralel olarak, faaliyet gösterdiği ülkeye tam olarak bir uyum sağlayabilmek için belli oranda standardizasyon stratejisi kullanıp, nispeten benzer olan pazarlarda küçük değişikliklerle uygulamalar yapmaktadır.

**Anahtar Kelimeler:** Adaptasyon, Standardizasyon, Pazarlama Karmaşı, Mcdonald's, IKEA.

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## **CHAPTER 1**

### **1. INTRODUCTION**

Standardization and adaptation are not new in the international business market field especially since the early 80s, where globalization developed significantly. As the multinational businesses begin to advertise merchandise and services in foreign markets, they are entitled to either alter their marketing strategies and mix to match the other market or adopt a standardized marketing mix (Vrontis, D. and Thrassou, A., 2007).

Researchers in marketing literature focus on the idea of “international marketing”, that leads to the implementation of business activities to standardize and adapt to the flow of goods and service to foreign buyers in more than one country (Ghauri, P., and Cateora, P., 2011), as a plan to overcome external environment factors and to achieve the key targets of an organization (Wong, H.Y., Bill Merrilees, B., 2007).

This issue of whether the marketing mix should follow standardization or adaptation to local markets has been widely debated and investigated in the educational marketing literature, with contributions from writers such as Levitt, Usunier, and Kotler. This begins with Theodore Levitt, the extreme proponent of standardization thought, and his thesis about standardization, which is based entirely on his essay” The Globalization of Markets” (Levitt 1983). Following that, a discussion of standardization vs. adaptation is offered, with examples of business circumstances in which the question of uniformity and flexibility is critical.

Standardization is applying the same products, pricing, and promotional strategies across all international branches. It provides structured methods and reliable data that saves time in the process of innovation. Not only that, but also having a global market with similar needs results in having reasonable priced products of good quality. As for adaptation, it is changing the characteristics of a product to be relatable to new

customers or new markets, it's a vital for companies that are operating in foreign countries.

Theodore Levitt's paper "The Globalization of Markets" was posted in 1983, and it served as the muse for the contemporary debate over standardization vs adaptation in manufacturing and marketplace communication. The following criteria are partially based on Levitt's 1983 study because he is one of the few who supports standardization. The following are his arguments for why companies must standardize (Levit, 1983) as the influence of generation grows, a worldwide need for sample will emerge, with patron tastes becoming more consistent.

The company's fees can be reduced, permitting it to gain economics of scale and, as a result, decrease its pricing. Because clients' buying is logical, they may manage to increase their sales if the prices are cheap. It allows the advent of a global image, growing the cost of popularity. According to Levitt, the impact of generation is encouraging standardized markets because of nearly unified tastes. This viewpoint's viability is controversial. According to Mooij, generations has made options even more identical. Technology strengthens disparities and ends in various conduct as opposed to convergence (Mooij, 2004). As a result, developing a standardized marketing campaign might be flawed considering it might be based totally on the consumer's cultural ad historical past and options.

The argument regarding economics of scale through value reduction can also be controversial. Correcting misconceptions might incur additional expenditures. The 0.33 factor of perception, that is involved with the worldwide image, also can be considered. It is viable that standardizing marketing communications will grow the products internationally. However, because of their cultural past, clients from different backgrounds and countries have diverse option and needs (Mooij 2005: 17). The cost of popularity varies with the aid of using the marketplace. The writers agree on one component about exposing the boundaries of standardization strategies: cultural versions are one of the maximum impediments to uniformity. One of the principal thoughts of Usunier's theoretical cosmos is that product conduct cannot be in line with an unengaged general norm (Usunier, 2000). Although there are global parallels, there will constantly be locally variances that render the perception of an international product. According to Usunier, this must bring into consideration the cultural worries while expressing marketing targets throughout cultures. There can be positive general

additives of conduct, however, there will constantly be cultural differences (Usunier, 2000).

Kotler additionally increases the problem of the way a whole lot of marketing must be tailor-made to markets and the trends they hold, in place of whether or not there has to be a global standardized marketing. Many markets have tremendous variances in lines of tradition, demographics, and economics, consequently, marketplace standardization may be detrimental (Kotler & Keller, 2009) reduced marketing expenditures, expanded scope, and unity in marketing operations are just a few of the benefits of standardized marketing. Entrepreneurs, according to Kotler, can develop a worldwide strategy, but it must be tailored to specific locations to have the ability to communicate effectively in their markets.

### **1.1 Main Research Questions**

The main research questions for this thesis are:

- How does Franchisors and Multinational Companies decide about which strategy (standardization or adaptation) to choose while entering new international markets?
- Why do they choose such strategies in different locations?
- Which strategy is the most used and applied by the aforementioned companies?

### **1.2 Research Aim and Objectives**

The goal of this thesis is to examine the standardization and adaptation of marketing mix activities by having descriptive case studies in the international firm context. Two companies have been chosen to work on; the first is a fast-food restaurant “McDonald’s” and the second is a furnishing company “IKEA”. Those two different industries due to the diversity in between. Most fast-food stores and brands either apply the adaptation strategy alone or both, the standardization, and the adaptation strategies. On the other hand, furnishing stores mostly implement the standardization strategy since globalization made it easier for consumers to have similar tastes and likes. In this project, an analysis will take place to determine which strategy is more effective during the phase of entering a new international market, and whether both



strategies can be applied on the same market field, in addition to finding out the gap in each strategy and proposing a possible solution.

### **1.3 Research Structure**

This project constitutes of five chapters. The first chapter is considered the introduction to the project. It contains the aims and objectives of the project, the research questions, in addition to an overview about the topic and the domain under study.

Chapter 2 is basically a literature review, it includes a general overview about globalization and internationalization, reasons why companies choose to go through them and the techniques for globalizing and internationalizing companies, previous studies about the same topic as this master thesis, in addition to theoretical overview regarding the international marketing strategies.

As for Chapter 3, it discusses the research methodology, including research approach, philosophy, strategy, and methodological choice. Moreover, it also includes the techniques for data analysis.

Chapter 4 is all about the collection of data, analysis, and listing the findings of the analysis, in addition to a historic review about the two companies under study. And finally, Chapter 5 includes a conclusion, listing of the limitations of the research, and recommendations.

## **CHAPTER 2**

### **2. LITERATURE REVIEW**

In the following part, numerous examples of ways multinational companies engaged with inside the international marketplace are provided. Each situation presents perception into situations that underlay the complexities of a worldwide marketing approach. McDonalds and IKEA have been picked as the two examples. These companies are in particular exciting because they encompass large companies whose essential ideas are strict idea control and standardization to obtain economies of scale in marketing, sales, and manufacturing. These factors display how, no matter their overarching standardization method, they needed to alter to nearby markets to be successful. Because of the differences in features between service and manufacturing organizations, marketing will need to be altered to account for these disparities. Because of these qualities, marketing mix is expanded to be known as the 7Ps. Price, Product, Place, Promotion, People, Process, and Physical Evidence, with the last three elements being included because of the uniqueness of services. This is utilized to achieve company objectives and provide answers to various difficulties (Collins L. , 2011)

#### **2.1 Globalization and Internationalization**

The growing internationalization of service firms necessitates additional investigation into marketing decisions because it is important to have knowledge on whether to regulate or modify the marketing mix to the selected market to be competitive in the market. The marketing mix is defined as a method for gaining a competitive advantage by influencing the buyer's response through several components. As a result, the majority of current research focuses on the marketing mix, leaving a knowledge gap regarding service firms. Businesses must take methodical steps toward globalization, identify their goals, and modify their content to infiltrate foreign markets as they seek to grow in today's highly linked globe. Few studies have investigated whether service firms should standardize or adapt, and the

results have been ambiguous and conflicting, making it hard to comprehend the true advantages of each method within the marketing mix.

The twenty-first century is the age of technology, which has no bounds. It is a century in which the globe should not be constrained in any way, whether in terms of communication, trade, transportation, goods movement, or strategic thinking. To catch the point in a good manner, differences between 2 terms must be mentioned. The differentiation between globalization and internationalization can help also companies take the right decision between being global or internalized. The 5 main differences between the latter are:

1. Task/Result

Globalization is a desirable outcome for the world's economies.

The task/process of achieving globalization is known as internationalization.

2. Set and Subset

People aim to build a structure called globalization.

Internationalization is a subset of Globalization because it is a part of that structure.

3. Related to

Globalization is increasingly closely linked to national economies.

Individuals, firms, and businesses are more concerned with internationalization for their goods and services.

4. Factors

Infrastructure, telecommunications, and logistics, among other factors, have a significant impact on the globalization process.

Internationalization is influenced by cultural preferences, local customs, and other factors.

5. Process

It's a business transaction as a globalization issue.

It's a form of improvisation as an internalization issue.

A look at these ideas in a larger sense, globalization sees the world as one large country with homogeneous cultures and substance. Internationalization envisions a world with numerous countries separated by boundaries and cultures, where cross-national encounters are welcomed and actively pursued.

Globalization is the product of the ambitions of global economies, whereas internationalization is the process that has enabled globalization to take place. Individuals believed that a framework was required to attain their objectives, and globalization is the foundation of this structure (Yalcin, 2020)

The world will learn more about financial markets and have access to overseas investment options if you extend your business internationally. In certain circumstances, those chances are exclusively available to foreign enterprises in specific markets, as governments make them available to foreign corporations to boost foreign commerce. This could lead to your organization forming new partnerships and signing new contracts. Engaging with overseas clients allows you to legitimately claim that your firm is global, enhancing your brand's corporate reputation and attracting attention. Domestic revenues may improve as a result of more exposure, and domestic customers may have more faith in your product or service if they perceive that it is also trusted by international clients. Finally, all markets are vulnerable to economic fluctuations, which can have a direct impact on your firm. Internationalization will allow you to diversify your firm while also lowering your risk in times of crisis. A drop in sales in one market may be compensated for by an increase in sales in another. Internationalizing a company's operations will allow it to gain long-term rewards, but the decision to do so is fraught with difficulties. It's critical to develop an efficient internationalization plan with the proper partner to reduce the risks that come with doing business in new areas. (Collins L. , 2011)

Looking at these ideas in a larger sense, globalization sees the world as a large country with similar customs and content. Internationalization envisions a world with numerous countries separated by boundaries and cultures, where cross-national encounters are welcomed and actively pursued. Globalization is the product of the ambitions of global economies, whereas internationalization is the process that has enabled globalization to take place. Individuals believed that a framework was required to attain their objectives, and globalization is the foundation of this structure. Internationalization can be considered a subset of Globalization because it is a part of that framework. While globalization is associated with sovereign states' economic policies, internationalization is more closely associated with individuals, enterprises, and even businesses that supply goods and services. When looking at the globalization process, several aspects come into play, such as the nature of existing infrastructure,

telecommunications networks, and event logistics, all of which have a significant impact on the process. However, various factors such as cultural tastes and preferences, as well as local traditions, can have a significant impact on internationalization. (Larimo, J., Kontkanen, M., 2008)

## **2.2 Overview of the Adaptation and Standardization Strategies**

It is essential to take into consideration how to promote oneself in the targeted market when internationalizing a service organization. According to most marketing publications, standardization vs. adaptation is one of the most argued topics in the world of international marketing. The matter has already begun to be debated in 1961 (Vignali, 1999) Moreover, multinational companies are always trying to find ways to expand their market share and global presence, boost profitability, and overcome challenges related to market saturation. When a firm decides to expand into foreign markets, it must decide whether to standardize or adjust its marketing mix. This can be accomplished by using a single strategy across markets or adapting parts to each market. The decision to standardize or adapt a company's tactics is critical since it affects the company's fundamental business approach and how it will compete. For standardization/adaptation decisions as well as worldwide marketing strategy, both external and internal elements must be studied.

Standardization is characterized as "the process of making anything into a standard" by the Oxford Dictionaries (2019). While adaptation is characterized as the understanding of a domestic product or service standard to meet the environmental conditions in the market they are attempting to access. Some people believe that uniformity is more cost-effective, whereas adaptation improves consumer happiness.

### **2.2.1 Standardization**

Supporters of standardization claim that there is a worldwide community of cultures with comparative needs. They believe that trade barriers are loosening, and that the trend of technological advancements and corporations' strategies becoming more worldwide is a good thing. They say that by developing a single marketing strategy for the entire world, and adhering to standard marketing mix elements, they can create a consistent customer experience and lower costs.

#### **2.2.1.1 Advantages of Standardization**

There are many benefits to having a standardized system and being very similar in terms of culture across countries. Consumers, all around the globe, will receive the same quality of any brand. Word-of-mouth can increase sales when a corporation has a strong brand identification and reputation.

Another advantage is the lower costs associated with using a larger service. This can be done by offering quantities of the standardized product plus buying products in bulk. Another advantage includes better R&D, lower costs, and lower investment costs.

Moreover, standardization is a sensible method when trade barriers are being reduced. At last, standardization permits corporations to set an eye on a uniform marketing mix that center on one product while improving their quality. Employees could learn to have a better quality of a single uniformed item, which can attract investments in technology to ensure the quality of this offering (Vrontis, D. and Thrassou, A., 2007)

#### **2.2.1.2 Disadvantages of Standardization**

Standardization, however, has multiple negative sides. As previously mentioned, different markets require different needs. Offering one united product lacks uniqueness. By adapting their offerings to meet the needs of a certain market, competitors are able to gain a foothold in that market and ultimately win over customers. If a company relies on a standardized approach when dealing with different markets, it can become vulnerable to different demands in each one. Walmart's failure to enter global markets and choosing to do their business in certain countries is one instance. When Walmart entered foreign markets like South Korea, Germany, Brazil, and Japan, Walmart found out that its successful method in USA (inventory control, a large inventory, and low prices) did not work in markets with the customers' differences. There are other disadvantages to this approach, especially because it relies on economies of scale (Products and International Marketing, n.a). Global corporations, of course, manufacture and produce in several countries. This could be an issue because several countries, like the USA and the EU, erect trade barriers

## **2.2.2 Adaptation**

Even though many items appear to be global currently, experience shows that practically all countries have unique cultural and legislative constraints, and even global products often have a local character. As a result, I believe a truly global product does not exist. While Facebook's software may appear to be globally unique, it is most likely not, given the significant differences in privacy rules between Europe and the United States. As a result, the question of whether one strategy is better than the other can be answered by looking at what product adaptation is as a strategy.

Adaptation method involves a lot of modifying products and services to please shoppers in international markets while considering their peculiarities. Companies must consider various factors before making the decision. Adjusting to changes in international markets is the most crucial factor to consider. Marketing the same products in all areas using the same marketing methods will hold a company's chances of success (Yap, S. P. W., & Yazdanifard, R., 2014)

The adaptation strategy has the advantage of adjusting to the local market uniqueness at multiple levels, which attracts the customer. When applying this strategy, certain differences can be adjusted throughout the improvement of the product, effectively accommodating changes in client wants and needs.

### **2.2.2.1 Advantages of Adaptation**

Adaptation appreciates local expectations with an excellent local image. Customers feel comfortable about products because they will feel that such products satisfy their local needs. Multinational companies assume that nothing can stop market development if they decide to complete a suitable form of adaptation in their marketing strategy. Toyota for example has decided to adopt most of its cars to the Gulf countries especially when it comes to large cars that are extremely needed due to highly qualified qualifications. (Ghauri, P., and Cateora, P., 2011). In a summary, adaptation can help:

- Open previously closed markets
- Stress-testing your product in preparation for global distribution
- Improve product performance in a variety of situations
- Use local inputs to reduce expenses

- Reduce expenditures owing to the removal of features
- Facile acceptability
- Adapting to local needs and market
- Expedites local business development
- Strengthens local content

### **2.2.2.2 Disadvantages of Adaptation**

Some drawbacks to product adaptation such as having more than one procedure through the organization and increased promotional costs. Additional research and development resources will be acquired by the corporation as a part of this strategy. Defender conflicts and developments are to blame for the higher prices, which are riskier. Also, businesses may not have the sufficient information and experience with the technical parts of various items or services, as well as an understanding of how to promote the product. (Vrontis, 2007)

Increasing operation costs, restricted management, a lack of experience or know-how transfer are all downsides of adaptation and a lack of a unified world image. These drawbacks will be explained further below.

- Increased operating costs

Adapting marketing mix aspects to a particular market need can raise operating expenses. Duplication of functions in several regions would result in such operating costs.

- Limited control and co-ordination

Localization of marketing mix parts makes control and coordination of an international company's operations more complex, which is one of the difficulties to adaptability as a strategy. It will be more difficult to execute the same production control procedures, product quality standards, and brand awareness in case items are customized for each region and separate promotional efforts are used.

- Lack of uniform global image

In numerous consumer-packaged products sectors, the need of a consistent worldwide image may not have a critical effect. However, in other markets,



particularly industrial products markets, clients are used to and may even favor foreign aspects of the marketing mix.

- Lack of transfer of experience or know-how

The incompetence to transfer knowledge acquired in a country or domestic market to another is hampered by the lack of integration and coordination of marketing activities across national or regional territories. This would obstruct the development of local content in some regions, particularly in developing countries.

### **2.3 International Marketing Mix (7 Ps)**

The marketing mix management paradigm has been in use for many years and its principles have been refined by McCarthy (1964) to what is known today as the 4Ps: product, price, place (distribution), and promotion (Goi, 2009). International marketing mix activities including Analyzing markets and potential markets, Developing products and services wanted, Distributing products through channels that are helpful for buyers, and Promoting products and services, including advertising to inform, educate, and convince consumers of these services and products, Setting costs that shows a reasonable value and a sufficient return on investment, Technical and non-technical help to customers which improves future sales and attracts loyal customers. The marketing mix is a powerful concept, it makes marketing smoother to handle and according to Philip Kotler, “marketing mix is the set of controllable variables that the firm can use to influence the buyer’s response”

Standardization and adaptation strategies have become the research zones of international marketing. Many scholars have arguments preferring standardization, but many others disagreed to encourage the adaptation of the marketing mix. Latest research has studied the level of adaptation and standardization of the marketing mix elements (Larimo, J., Kontkanen, M., 2008). Standardization supporters viewed the market as one whereas adaptation supporters faced obstacles in applying a standardized approach to meet the diversity of the international market (Nguyen, 2011). The main causes of standardization and adaptation in marketing mix activities are shown in table 1.

**Table 1:** The Main Causes of Standardization and Adaptation in Marketing Mix Activities (Nguyen, 2011)

Marketing mix policies Marketing mixer	Standardization	Adaptation
Product	<ul style="list-style-type: none"> <li>- Cost-effective</li> <li>- Highly product image</li> </ul>	<ul style="list-style-type: none"> <li>- Government regulation</li> <li>- Product standards</li> <li>- Cultural differences</li> <li>- User's habits</li> </ul>
Price	<ul style="list-style-type: none"> <li>- Low-risk strategy as a fixed return is guaranteed</li> <li>- Good image of multi-national firms</li> <li>- No effort is made to maximize either profits or sales volume because they set the same price for all markets</li> <li>- Used when selling highly specialized manufacturing plant</li> </ul>	<ul style="list-style-type: none"> <li>- Profits and sales volume can increase due to different markets</li> <li>- Lack of control because of market differentiated pricing</li> <li>- Bad image of multi-national firms</li> </ul>
Place	<ul style="list-style-type: none"> <li>- The nature of the market</li> <li>- Customer characteristics</li> <li>- Nature of product</li> <li>- Culture</li> <li>- Law legislation</li> </ul>	
Promotion	<ul style="list-style-type: none"> <li>- Improving efficiency and saving costs</li> <li>- Increasing the firm's image</li> <li>- Increasing customer's trust and loyalty</li> <li>- Trend of globalization</li> </ul>	<ul style="list-style-type: none"> <li>- Customer satisfaction</li> <li>- cultural differences</li> <li>- other environmental factors</li> </ul>

Moving forward for 7 P's illustrations rather than 4 P's, promotion, price, place, process, people, and physical evidence. This diversity lays out an understanding on developing successful marketing plans. The most significant component is the product, which is the service provided in a business, as it has the greatest influence on

the firm's competitiveness. Price as in the price established for the service, which may be more difficult to determine than the price set for a produced object because the price of service must take into account the ambiance supplied. The location of the service has been described as a place, and promotion has been defined as service advertising, which is a key aspect in attracting clients. The process describes how a service is delivered; it also reflects all the different steps, which are several actions done prior to the delivery of the service. This proves that the customer receives the provided service. Last, the people are the employees who provide service to the clients. They are an essential element in developing connections and establishing trust. Knowing these elements of the marketing mix makes it effortless to form short- and long-term relationships. (Alipour, 2018)

## **2.4 Factors Influencing Marketing Decisions**

There are a variety of aspects that can influence the decision of which approach used in the marketing mix. For example, Culture.

National culture is a set of habits, customs, and beliefs that exist among a population, and three aspects of culture influence international marketing activities.

There are, however, furthermore unique cultural features that affect marketing such as Religion, Language, education, values and attitudes, aesthetics, technology and material culture, law and politics, and social structure. Various studies have focused on cultural variations between nations, and proponents of adaptation believe that this is one of the most vital variables to take into account is when leveraging the marketing mix to obtain a competitive edge (Ghauri, P., and Cateora, P., 2011). The determination to standardize or alter the items of the marketing mix is not solely influenced by culture. As a result, influencing variables for each of the components will be examined separately in the following subsections to underline those distinct agents influence different components.

### **- Influencing agents on the Product**

To direct the elements that effect each component of the marketing mix, it's important to understand that not all of them are influenced by the same causes. The product's component must be compatible with the target market's culture. However,

if the product would have been in a manufacturing firm the component would have been easier to standardize (Onkvisit, S., Shaw, John, J., 2004)

- Influencing agents on the Price

There are several other variables to consider when entering a new market and promoting your service. Some of the elements impacting the price component of the marketing mix differ from those affecting the other components. Customer preferences, competitive situations, cost situations, inflation/exchange rates, laws, trade barrier reduction, increased communication, information flow, and expanding brand internationalization are all elements that influence the pricing component. (Onkvisit, S., Shaw, John, J., 2004)

- Influencing agents on Place

All of the customer, the culture, and the service given have a role in adapting or standardizing the location component of the marketing mix and the place component is usually one of the more modified components. Customers' disposable incomes and purchase behaviors are highly indicative of the appropriateness of a standardized or tailored location. As a result, standardizing the component of place is claimed to be difficult due to the huge changes that occur with customers' habits and incomes, which makes it rare to apply. (Wong, H.Y., Bill Merrilees, B., 2007)

- Influencing agents on Promotion

Based on several criteria, the Promotion component can also be changed or standardized.

If the decision is made to standardize the product, a worldwide advertising message is established. When standardizing a component, means applying the same marketing throughout all target markets without any customization. Language, religion, regulations, economic inequalities, and media availability can all affect promotion, and if considered, the component requires change. (Onkvisit, S., Shaw, John, J., 2004)

There is currently few to no research on the contributing aspects of the 7 Ps' new components to marketing. As a result, general marketing literature will need to analyze the new components of the marketing mix, such as People, Processes, and Physical

Evidence, for the impact aspect of the marketing mix components. This is because the majority of current research on the marketing mix and what drives the various components focus on the original 4Ps marketing mix.

### **2.5 International Marketing Strategy at Fast Food Industry**

The current consumer is widely regarded as the most extravagant of all time, and this is one of the primary drivers of rapid innovation both inside and outside the kitchen. The industry is completely commercialized, and it has resorted to novel marketing strategies as a result of continuing globalization. Fast food behemoths like McDonald's, KFC, and Subway are among the best examples of restaurant businesses that primarily rely on consumer-specific marketing strategies. The ever-changing world of restaurants has undergone a significant transformation throughout the previous decades. There has been a significant shift in emphasis away from food. Ambience, location, brand prestige, and culinary innovation have all played a role starting to have a great effect on the company's marketing tactics. Revenue, today's restaurants demand a lot of publicity and eventual profitability comprehensive marketing strategy. The restaurant industry's customer base has always been diverse and has been increasing. The fast-food industry is growing. Fast-food restaurants are springing up all over the world on a daily basis. There are many distinct chain fast-food restaurants in large cities. However, fast food does not have to be a franchise. Some people dream of opening their own fast-food business and serving delectable burgers and chicken wings (Tien, 2019).

KFC is McDonald's most significant rival. It is a Yum Brands Inc. brand that stands for Kentucky Fried Chicken (USA). It is known for its fried chicken, and for several appetizers and sandwiches. Currently, there is over 20,000 KFC locations in 109 countries throughout the world. KFC is always concerned about product quality. Strong human resources and professional training: After setting the bar for the entire KFC system in order to maintain a stable and growing presence in the world. KFC is always researching the industry to get the finest answer. (Alipour, 2018)

### **2.6 International Marketing Strategy at Furniture Industry**

Ashley Furniture Industries sell home furnishings and accessories through two distribution channels: independent furniture sellers and over four hundred Ashley

Furniture Home Store retail furniture stores within the United States of America, Canada, Mexico, Central America, and Japan, independently owned and operated by licensees. It is the world's leading furniture producer and top selling brand of home furniture. The mission to become the BEST Furniture Company representing the corporation's strong past and vision of the future. The company has already proved itself to be the industry leader in terms of furniture quality, after sixty years of innovation, development, and expertise. This is an example of what takes place at the Strategic Company Unit level, in addition to providing methods that can be implemented to avoid business failure. The following stages can be used to highlight successful strategies: Low price/low added value, differentiation without price premium, and Focused differentiation are all examples of low price/low added value. (Essays, 2018). The purpose was to position Ashley Home Store as a favored brand that supplies a whole structural administration along outcomes of style, quality, and cost to offer clients with a one-stop shopping for their home outfitting and interior design wants. Ashley continues to expand the compass to a wider buyer audience by offering a diverse variety of appealingly assessed things that are supposed to help the system.

Customer tastes are evolving at a rapid pace in this fast moving environment. They claim that by incorporating similar tastes into their products, they would have the ability to react and to respond faster to altering consumer tastes and preferences. Ashley has a diverse product line that includes furniture for every room in the house and office, including the dining room, living room, and bedroom. The North American division of the company is primarily responsible for all tasks ranging from product design development to manufacturing. Ashley offers a wide range of products, ranging from extremely affordable to top quality products for high-end luxury customers, to cater to a variety of customer tastes and uses. Ashley's pricing strategy for its wide range of products is very innovative. Ashley has developed sales for group products in the same category or design. This not only allows Ashley to sell more products, but by using the same design process and shipping costs, Ashley can reduce costs and gain significant market share. As previously said, Ashley has been able to apply cost-saving manufacturing designs and distribution networks throughout many years in business, providing not just the greatest furniture at the best rates, but also access to broader markets. (Collins, 2011)

## **2.7 Previous Studies**

### **2.7.1 The Role of Standardization and Adaptation in the Marketing Mix**

The goal of a research done (Larsson, M., & Jakobsson, K., 2019) is to inspect the factors that have an impact on the process of standardization or adaptation within the 7Ps marketing mix. Furthermore, putting a finger on whether each component of the marketing mix has been standardized, customized, or both. This thesis intends to make a contribution to the knowledge and understanding of why specific aspects of the marketing mix have remained the same or changed.

In this study, an exploratory method and a mixed-methods approach are used together. The research employs an inductive methodology and an interpretive mindset. A survey and interviews provided primary data, and the secondary data was obtained from the marketing materials and company's website. The findings of this study shows that adaptation occurs in components of place, people, and product. Promotion and procedure are standardized, physical evidence and pricing are a blend. The marketing mix components are impacted by a variety of circumstances, with client preferences and likes having the greatest influence.

The researchers distributed a survey to the company's personnel. This was done to obtain insight into how everyone in the organization thinks and believes about standardization and adaptation. The survey was conducted by having eight employees complete a 15-question questionnaire. The participants requested that the survey be written in Swedish, thus it was. The survey questions were fewer than the interview questions, however they covered the same topic. Because personnel within the organization had limited time, not all of them were accessible for interviews, so a survey was used. They were, however, amenable to the concept of doing a survey. Questions were structured identically in the survey. The goal of utilizing more structured survey questions was to discover if there was a link between the interview and survey responses. The major goal of the survey was to acquire a more thorough image of what is adapted and standardized inside the organization, as well as whether opinions differed. The goal of the survey was to observe how the ideas of people in the organization were different from those who are more active in the internationalization process because the interviews were performed with people who are primarily responsible for the international component of the business.

The components of the 7 P's have been explained one by one in the following paragraphs.

Additional relevant quotes from respondents:

Product (Service): "The service is adapted based on the customer's needs. There is no need to have a set of events to offer; instead, we tailor the events and use the resources that are available".

Price: "Since flight prices and venue prices for example are already set, it makes it much harder to adapt prices since those components affect the price that the company sets on their services. What we do is to choose venues and locations based on the customers' preferences as well as budget, which leads to an adaptation of price".

Place: "In some cases, there is a bias towards a place because people already have existing knowledge of the place and therefore there can be a part of standardization in the component of Place".

Promotion: "Promotion is standardized because the whole process looks pretty much the same at any point in time, we use the same marketing material in all countries, and we just translate it to English".

People: "The customers are different and so are the employees. Some employees are more knowledgeable in certain fields and therefore they will take the lead on certain projects and do different tasks. To standardize this component would be almost impossible. Adaptation is more important to satisfy the customers. It's adapted".

Process: "The staging process is pretty much standardized; however certain elements can differ depending on who the customers are and what type of event that is being produced. For example, some customers might need more meetings and verifications on the service and therefore more meetings will be scheduled".

Physical Evidence: "It's a combination. The service is adapted according to the customers' preferences and at any point in time there will always be some type of standardization taking place because of previous knowledge and restrictions by the customers".



Customer preferences and needs appear to have the greatest influence on all parameters, according to this study. The marketing mix is influenced by influence across all components. On the other hand, all other influences are particular to the components and not to the marketing mix as a whole. When deciding whether to standardize or adapt the various components, it is critical to keep in mind that simply consider client preferences but to take into account all relevant aspects.

### **2.7.2 The Case of KFC in The Vietnamese Market**

Bui M.T. (2020). Standardization versus Adaptation Strategy in International Marketing Mix – The case of KFC in the Vietnamese market. Master's Thesis in Global Innovation Management, University of Turko.

In today's global business world, multinational corporations must pick appropriate marketing tactics to adapt to the local features of foreign markets. The goal of this study (Bai,2020) is to observe the standardization and adaptation procedures used by KFC fast food in their marketing mix in the Vietnamese market, as well as consumers' perceptions of the example company's marketing mic implementation. Product, pricing, place/distribution, and promoti9on are the four primary factor of the marketing mix investigated in this research. The Vietnamese market was selected because of its corporate expansion possibilities and cultural differences from western markets. Furthermore, the KFC chain was chosen as an intensive case study because it was the first fast-food brand to enter the Vietnamese market and is now the leading brand in the country. The business is also well-known for its special offers based on local responsiveness in each overseas market. KFC has adjusted every piece of its marketing mix within the Vietnamese market as a result, while saving its signature cooking processes and western dining practices. However, because of the significant cultural and consumer preferences differences between the home market and the overseas market, especially in the fast-food sector, the degree of localization in KFC's marketing mix has exceeded that of standardization strategies by supplying new information.

In addition, the example of KFC in Vietnam offers beneficial advice for international corporations seeking to grow their operations and fulfill their strategic goals in the Vietnamese market.

A summary of KFC's marketing mix in the Vietnamese market are as follows:

- Product Standardization: The same method of cooking and checking which followed Sander's recipe
- Product Adaptation: Item size customization and healthier cooking ingredients
- Price Standardization: Optional pricing strategy
- Price Adaptation: Low-price strategy
- Place Standardization: Mall and Supermarket Stores
- Place Adaptation: Shops located near schools, universities, and famous attractions
- Promotion Standardization: Combination of different types of promotion channels
- Promotion Adaptation: Advertisement on television presenting celebrities

### **2.7.3 Comparison of the Impact of Standardization and Adaptation on International Marketing**

An article by (Yap, S. P. W., & Yazdanifard, R., 2014) states that the study of marketing solution transformations during a company's internationalization process acknowledges that the structure of marketing strategy in international markets is an evolutionary process, and organizations must choose between the two marketing solutions. The purpose of this is to find out the best blend of operations and solution systems integration and optimization in the global market. In research on the transformations of marketing solutions in the internationalization process of companies, the structure of marketing strategy in international markets is an evolutionary process, and organizations need to make the choice on whether to standardize or adapt the strategic marketing solutions. Being extreme on a single method is not important while looking for effective international performance organizations. This study explores the correlation between standardization and adaption techniques and performance in an international context. Following price, promotion, product, and distribution should be the first part of the marketing mix to change under the adaptation options. This study examines the levels of adaptation that should be implemented to various segments, areas, and sectors, among other things (Yap, S. P. W., & Yazdanifard, R., 2014).

The debate over whether corporations should standardize or adapt their worldwide marketing strategy and market entry approaches continue to be a focus of academic

research in international marketing. Every multinational firm and marketing practitioner has a crucial and growing interest in it. This article shows that organizations should not pursue complete homogenization of the marketing mix unless they are dealing with very specific situations and product categories. However, the global market is becoming more and more homogenized, allowing international companies to promote their products and services worldwide using similar strategies to lessen costs and have higher profit margins. It is also true that it is increasing profitability. Consumers and businesses across the world are being influenced by the globalization of society. However, there is a phenomenon that does not and cannot consider market globalization. Complete heterogeneity, on the other hand, is a misapplication, as many academics have pointed out, particularly where there are continuing and distinct heterogeneities between countries and markets, and even more so for consumer goods. According to research, taking an either/or approach is ineffective and can lead to business failure. This study introduced, developed, and expanded on the AdaptStand method, which urges organizations to standardize strategies where possible and alter them only, when necessary, based on empirical and statistical information.

#### **2.7.4 Standardization versus Adaptation as an International Marketing Strategy: The Role of Cultural Pattern**

In some countries, normal marketing practice will be different. In such an unequal environment, a successful marketing strategy in a country would not work equally well in the other. Customer preferences, competitors, distribution channels, media, and impact are possible to change. Global marketing is a huge problem from a management standpoint since companies must adapt their marketing plans and programs as much as possible to local conditions. The fundamental test of a company's strategy and strategic thinking is this. Within the literature, there are various diverse perspectives on global marketing. Business partnership arrangements can be reinforced by customization rather than standardization in these high-tech strategies. Few countries or enterprises control marketing policies and price decisions. Strength is defined as the degree of collaboration that occurs within the organization. A business can achieve a competitive level and operate effectively in all market categories with this technique. Businesses with global marketing can prosper all over

the world. (U.Meftume, GLOBALIZATION AND MARKETING STRATEGIES, December 2020)

**Table 2:** Summary of Results

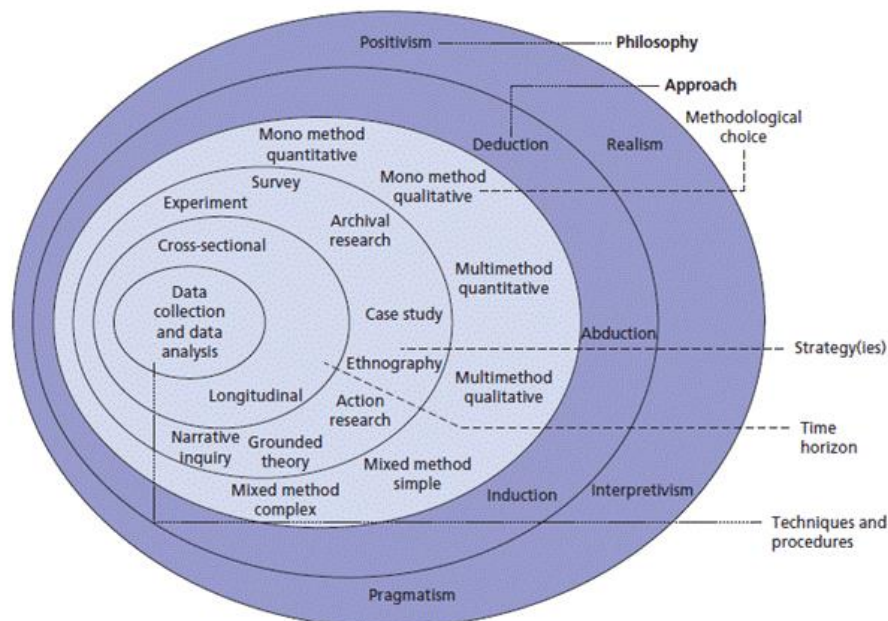
Comparison of the Two Theories Multinational	Global Marketing
Think local, act local	Think global, act global
specific adaptation of the marketing program	Standard of the marketing program
National culture can be overcome by a marketing program	Globalized marketing strategies

There are numerous varieties of advantages associated with globalization for marketing practices in organizations. The strategic gains of globalization are summarized 2 benefits, an increase in the pace of the market; and if multinational corporations are to thrive, they must increase their sales volume.

## CHAPTER 3

### 3. RESEARCH METHODOLOGY

In this chapter, the research methodology overview will be provided according to the goals, research objectives and research questions. This chapter includes the chosen research philosophy, research approach, research strategy (including data collection method), research methodological choice, and techniques for data analysis. The source of the majority of information included in this chapter is a book called “Research Methods for Business Students” written by Mark Saunders, Philip Lewis, and Adrian Thornhill, and published by Prentice Hall-Pearson Education.



**Figure 1** Research Onion (Saunders, Lewis, & Thornhill, 2009)

#### 3.1 Research Philosophy

This research philosophy is a set of beliefs and assumptions about the method by which the data that will be used in the research are being gathered, analyzed, and used (Chapter Three: Research Methodology, N.D.). The process of gathering, analyzing, and using data is called development of knowledge. The main types of research

philosophies are positivism (also called scientific), realism, interpretivism (also called anti-positivism), postmodernism, and pragmatism (Saunders, Lewis, & Thornhill, 2009).

For this research, interpretivism research philosophy is used. Interpretivism relies on complexity of people awareness and perception, individuals are intricate and complex, and they understand aspects in different ways. Interpretivism is suitable for studies that have a lot of grey areas such as society. By analyzing the numbers, it cannot be understood why or how somebody feels or behaves. Instead, a detailed evaluation of actions and behaviors is needed.

### 3.2 Research Approach

The research approach is related to the relationship between the hypotheses and the study itself. There are three types of research approaches: deduction, induction, and abduction (Dudovskiy, 2018). Usually, the deductive approach is used when the study is positivist, the inductive approach is used when the study is interpretivism, whereas the abductive approach is used when the research philosophy is realism, pragmatism, or postmodernism (Saunders, Lewis, & Thornhill, 2009). The below figure shows the features of the different types of research approaches.

	<b>Deduction</b>	<b>Induction</b>	<b>Abduction</b>
<b>Logic</b>	In a deductive inference, when the premises are true, the conclusion must also be true	In an inductive inference, known premises are used to generate untested conclusions	In an abductive inference, known premises are used to generate testable conclusions
<b>Generalisability</b>	Generalising from the general to the specific	Generalising from the specific to the general	Generalising from the interactions between the specific and the general
<b>Use of data</b>	Data collection is used to evaluate propositions or hypotheses related to an existing theory	Data collection is used to explore a phenomenon, identify themes and patterns and create a conceptual framework	Data collection is used to explore a phenomenon, identify themes and patterns, locate these in a conceptual framework and test this through subsequent data collection and so forth
<b>Theory</b>	Theory falsification or verification	Theory generation and building	Theory generation or modification; incorporating existing theory where appropriate, to build new theory or modify existing theory

**Figure 2** Features of research approaches (Saunders, Lewis, & Thornhill, 2009)

In this research, inductive approach will be used. Inductive approach does not include stating hypotheses at the beginning, instead the research shall state the research questions, aims and objectives of the research and then work on inducing theories out of the results. The workflow of the research process that follows an inductive approach is as follows: observations and tests using certain sources and types of data collection → finding patterns in the results after analyzing them → generating new theories based on the results (Dudovskiy, 2018). The followers of inductive approach oppose and criticize the followers of deductive approaches since they believe that the deductive approach results in strict findings by which they prevent further elaboration of the situation that is being tested. Researchers that use inductive approach are more likely to use qualitative data and they use different methods of data collection so they can have a wide and distinguished views of the situations that is being tested (Saunders, Lewis, & Thornhill, 2009).

### **3.3 Research Strategy (Data Collection Method)**

The data is a set of facts, reports, figures, tables, graphs, symbols, and events that are collected from different types of sources (Data Collection Methods: Definition, Examples and Sources, 2021). Data collection is a procedure by which the researcher gathers and measures information that are related to the variables of his research, which enables him to “answer research questions, test hypotheses, and evaluate incomes” (Kabir, 2016). There are two types of data: primary data and secondary data (Data Collection Methods: Definition, Examples and Sources, 2021). Primary data is data that has not been changed by human being, nor has been published yet, it’s collected from firsthand experience, for example: experiments, questionnaires, interviews, surveys, and observations (Kabir, 2016). Whereas secondary data is data that has been published before by other researchers for different purposes, for example: books, newspapers, census and statistical data, archives, articles, articles published in journals, and databases (Kabir, 2016).

For this thesis, both primary and secondary data will be utilized, interviews are done with managers, employees, and/or customers of the two companies in KSA only, whereas the methods used for secondary data collection are records and previously published articles and reports.

### 3.4 Research Methodological Choice

The fourth level of the research onion is the research methodological choice (Saunders, Lewis, & Thornhill, 2009). There are basically three types of research methodological choices: quantitative method, qualitative method, and mixed method. The “quantitative” term is used to describe any data collection method or data analysis process that uses and produces numerical data. Whereas the “qualitative” term is used to describe any data collection method or data analysis process that uses and produces non-numerical data (words, pictures, and videos) (Saunders, Lewis, & Thornhill, 2009).

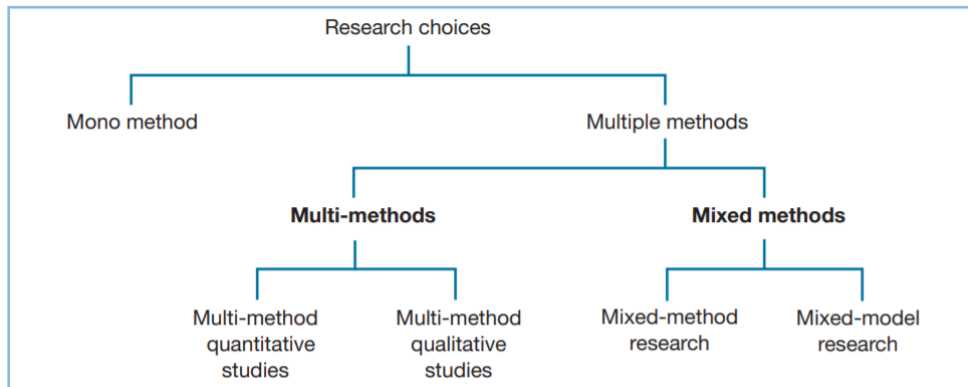
Quantitative research	Qualitative Research
Focuses on testing theories and hypotheses	Focuses on exploring ideas and formulating a theory or hypothesis
Analyzed through math and statistical analysis	Analyzed by summarizing, categorizing and interpreting
Mainly expressed in numbers, graphs and tables	Mainly expressed in words
Requires many respondents	Requires few respondents
Closed (multiple choice) questions	Open-ended questions
Key terms: testing, measurement, objectivity, replicability	Key terms: understanding, context, complexity, subjectivity

**Figure 3** Quantitative vs Qualitative Research (Streefkerk, 2019)

A research choice, on the other hand, can be either single-method or multiple ones, and the multiple-method can be either multi-method or mixed method, also multi-method can be a multi-method qualitative study, and mixed method can be either mixed-method research or mixed-model research as shown in figure 3. The mono-method refers to the research where the researcher uses one data collection method with analysis technique, and the multi-method refers to the research where the researcher combines more than one data collection method with analysis procedures and techniques. Therefore, if the researcher uses mono-method or multi-method, he cannot combine quantitative and qualitative methods, however if he pursues to use both quantitative and qualitative data collection methods, the research becomes mixed-method research. Mixed-method research is research where the writer uses both quantitative and qualitative data collection methods and data analysis procedures in parallel (at the same time) or sequential (one after the other), however they shall not be combined together. In other words, numeric data shall be analyzed quantitatively,



and non-numeric data shall be analyzed qualitatively. Furthermore, mixed-model research is used when the researcher pursues to combine qualitative data collection method with quantitative data analysis method and vice versa, i.e., the qualitative data is “quantized” and quantitative data is “qualityed” (Saunders, Lewis, & Thornhill, 2009).



**Figure 4** Research Choices (Saunders, Lewis, & Thornhill, 2009)

The current research will use multi-method qualitative since there is more than one data collection method.

### 3.5 Techniques and/or Procedures for Data Analysis

Descriptive case studies will be developed to describe standardization and adaptation in international marketing activities of two markets: fast-food restaurants and furniture. In addition, interviews are conducted in one country, with interviewees from the two companies under study.

In this study, two international brands have been selected: McDonald’s and IKEA. Both companies are well known for their unique marketing, advertising, and coping within different markets, tastes, needs, and cultures). The analysis will be derived based on the information collected from previously published reports and publications, and conclusion will be set according to this analysis.

For IKEA, the interviews were done during a visit to Dhahran’s branch (Dhahran Mall) in the Eastern Province, Saudi Arabia, with twelve respondents of IKEA’s top management (Human resources management, marketing manager, furniture manager, customer service manager), IKEA’s employees and customers from different age and sex.

As for McDonald's, interviews were conducted with 17 managers and employees that work in McDonald's in 3 different stores; the stores are in the Eastern Province too. One store was in Dhahran's mall too, the second is a free-standing branch located on the Cornish of Khobar, and the third is a free-standing store in Al-Adamah, Ad Dammam.

## CHAPTER 4

### 4. CASE STUDIES AND ANALYSIS

#### 4.1 Case Study of McDonald's

##### 4.1.1 General History

Richard and Maurice McDonald, in 1940, opened a restaurant in California, US. Their business began as a hamburger stand, then they turned their company into a franchise. In 1953, the Golden Arches Logo was introduced at a location in Phoenix, Arizona.



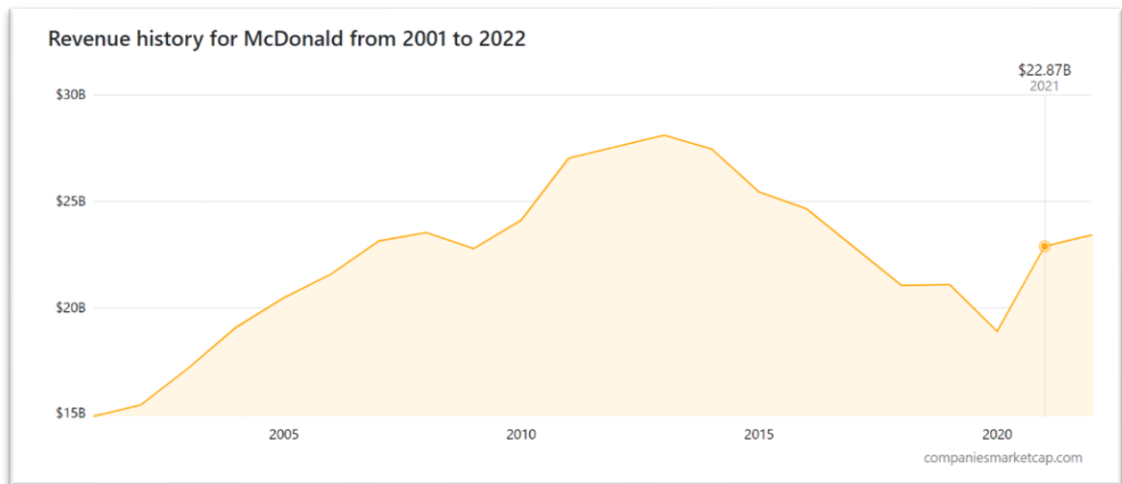
**Figure 5** McDonald's Logo

In 1955, a businessman called Ray Kroc became a franchise agent to the company, and then he purchased the chain from the McDonald's brothers. Originally, the company's headquarters were in Oak Brook, Illinois, then in June 2018, they moved the headquarters to Chicago (Bomkamp, 2016). In 1965, the mascot of McDonald's was introduced as the clown Ronald McDonald's, which became the main mascot known world-wide in the world. It was introduced to attract the children audience.



**Figure 6** Ronald McDonald's

By revenues, McDonald's is the largest restaurant chain in the world, it reached 22.87 billion USD in 2021.



**Figure 7** Revenues of McDonald's 2001-2021 (*Cap, 2022*)

By 2020, McDonald's had 39198 locations distributed in more than 100 countries in the world (McDonald's, 2021). In addition to the hamburgers, McDonald's sell various types of burgers obviously, chicken sandwiches, French fries, soft drinks, breakfast items, desserts, and other seasonal meals like ribs sandwiches (FoxNews, 2011).

The successful experience of internationalization of McDonald's led it to become an icon of globalization, and used in every business school, and the phenomenon is often called McDonaldization.

SWOT Analysis of McDonald's (Shastri, 2021)

Strength's elements are:

- Fast Service.
- Well trained staff.
- Hygienic meal preparation.
- Strong marketing efforts.
- Happy meals with toys for attracting kids.

Weaknesses elements are:

- History includes numerous trials for animal rights and environmental issues.
- For customers who come in large groups, many of them consider the menu is limited.

Opportunities elements are:

- More efforts can be done on home delivery services, by which can generate more profits for the company.
- The menus around the world can be updated to include more vegan options. McDonald's can take advantage of its menus in countries like India and implement them in other countries.

Threats elements are:

- Fast food is a worldwide health concern issue, so many customers avoid it.
- The constant visits and surveillance of food regulatory agencies can limit sometimes from the company's operations.
- Competitors' continuous attempts to copy McDonald's offers, services, and marketing strategies.

#### **4.1.2 Case Study: McDonald's (India, UK, and KSA)**

This research focuses on the product elements of the marketing mix as food purchases are strongly influenced by culture, consumers preferences, and income. In addition, "the elements that are more affected by adaptation in foreign markets are the quality, the features, and the namely design" (Baalbaki, I.B. and Malhotra, N.S., 1993). The appearance of a product is an important step that needs to be done carefully

since it will help to get more customers. Therefore, it is vital for managers to pay close attention to the preferences and tastes of their packages when addressing both existing consumers and potential ones. Whether to standardize or adapt, especially when it comes to food products, ones for specific markets, it needs to be created to meet the needs and expectations of local consumers. A simple example as in each restaurant, the delicacies are equal in size, the number of fries or pickles in a burger, and tomatoes in a salad. The commercial enterprise idea is equal irrespective of any country they enter.

Looking at their annual report in 2009, the revenue comes mostly from businesses outside the United States of America. They stated that 70% of their operating income is from outside the United States. It has overall international success with its sales, marketing, and other teams too. This success can be interpreted by their marketing strategy in a global direction. They pursue a standardization strategy by offering the same products in every branch worldwide, such as: McFlurry, McChicken, Beef Burger, Chicken Burger, Fillet-o-fish, and McNuggets. Plus, McDonald’s adapts to consumers’ needs in the consumption cultures of some countries. Therefore, this adaptation strategy is the key to their success. McDonald’s has its own marketing mix: *-Think International, Act Local-* (Vingali, 2001). The latter explains how McDonald’s is expanding internationally but adapting to local customers due to several factors such as religious laws and cultures. In Palestine, the burger is kosher tradition Big Macs, cheese and meat are served separately. In India, Hindus do not eat meat, so they offer vegetable McNuggets and mutton-based maharaja macs. Since Muslims do not eat pork, McDonald’s has a halal certification advocating that their restaurants in Islamic Middle East countries are completely free of pork. McDonald’s Corporation writes in their 2009 annual report: “McDonald’s customer-centered Plan to Win-which is targeted towards being better, not just bigger-provides a common framework for our international business yet allows for local adaptation (Annual Report, 2009). Table 4.1 shows furthermore examples of adapted items on the menu across the globe.

**Table 3** McDonald's Global Marketing (Hunt, 2017)

Marketing Mix Element	Standardization	Localized
-----------------------	-----------------	-----------

Product	Big Mac	McAloo Tikka potato burger (India)
Promotion	Brand name	Slang “Macca’s” (Australia)
Place	Free-standing	Home Delivery (India)
Price	Big Mac is \$3.10 in U.S and Turkey	\$5.21 (Switzerland) \$1.31 (China)

The case study of McDonald’s will basically rely on the comparison between McDonald’s in India, the UK, and KSA. These three countries were chosen due to the differences between them from many perspectives (will be elaborated below).

#### **4.1.2.1 McDonald’s in India**

When studying about different international branches of McDonald’s, India seems the most interesting since it has a population of more than a billion people with a diversity of twenty spoken languages and hundreds of dialects. Plus, the predominant religion is Hinduism where it is believed that the cow is sacred, and thus beef is not to be eaten (Rangnikar, 2008). In their first Indian outlet in New Delhi, they dealt with Indian suppliers, and nothing came from abroad (Bolman, L. and Deal, T., 2003). Local suppliers are trained to the quality and marketing strategies that McDonald’s apply internationally. Because of the successful growth of McDonald’s in India along with it the growth of the local suppliers, Indians had changed their style of eating and the Indian economy was liberalized which paved the way for the entry of fast-food chains. To adapt to the Indians’ love for home-cooked food, McDonald’s introduced the McDelivery, delivering special economy menus for two or four persons and reaching to Indians who do not want to go out of their homes (Gerbe K. , 2007).



**Figure 8** McDonald's in India

#### **4.1.2.1.1 Product Pricing**

McDonald's pricing process depends on the purpose, the demand from the local community, the cost of the raw materials, and the competitors' strategy. For example, Big Mac's prices differs from one country to another because of this factor. They think of the local community in determining their prices (Vignali, 1999). In the UK, the price of McMeal equals to 3.87\$ (Price Rankings by Country of McMeal at McDonalds (or Equivalent Combo Meal) (Restaurants), 2022).

#### **4.1.2.1.2 Infrastructure**

In India, the infrastructure is less advanced and less developed than that in most of the other countries. Indian people are not used to modern technology especially in the food industry and restaurants. Most of the population is concentrated in the countryside. When McDonald's first opened in India, they had to adapt to the Indian lifestyle. India is a large and diverse market with low-cost labor supply, and this is one of the reasons why international companies are eyeing it for expansion.

#### **4.1.2.1.3 Cultural and Religious Issues**

Cultural differences remarkably take place in the introduction of products through the globalized world. There are distinct differences between achievement-oriented cultures and ascription cultures which can be found particularly in Asia, like India. A German will buy a Mercedes car for its engineering properties, but an Indian will secure a Mercedes for its status (Lewis, 2004). Each McDonald's around the world has the menu that fits its region and locals. A recent survey by Hindi-CNN-IBN



(Gerbe, 2007) revealed that 40% of the Indian population adhere to the philosophy of vegetarianism, the thing that urged McDonald's to introduce a vegetarian menu in its locations in India.

#### 4.1.2.1.4 Economy

India's trade liberalization had a positive effect on the Indian economy, it is one of the major dollar earners. Global companies looking for inexpensive outsourcing activities come to India, many of these global companies are from the United Kingdom. However, there are still limitations where more than 500 firms are under the control of the government (Schomberg & Milliken, 2010).

#### 4.1.2.1.5 Income of People

Table 4.2 is a summary of the income distribution in India which can help clear the image of the needed infrastructure for McDonald's business.

Source: Golden Arches: Case of Strategic Adaptation, by Dr. Amit Rangnikar

**Table 4** Income classification of the people of India

Classified as	People (in millions)	Household (in millions)	Income (in US dollars)
Deprived	763	131	>600
Aspirants	120	20	1000-3000
Rich	2.18	0.35	<12500
Super Rich	0.03	0.006	<12500
Others	72.13	13.34	-

As noticed, a big portion of the Indian population lives below the poverty line.

#### **4.1.2.2 McDonald's in UK**

McDonald's Corporation is the head of the fast-food market in the country (Royle, 1999) which was established in the UK in 1974. McDonald's UK's menu varies from breakfast to dinner range from starchy foods to pork sausage patty to beef, with the best local ingredients.



**Figure 9** McDonald's in the UK

##### **4.1.2.2.1 Product Pricing**

As mentioned before, McDonald's process of pricing depends on the needs of the local community, the cost of the raw materials, and the competitors' strategy (Vingali, 2001). The price of one McMeal in the UK equals 7.58\$ (Price Rankings by Country of McMeal at McDonalds (or Equivalent Combo Meal) (Restaurants), 2022).

##### **4.1.2.2.2 Infrastructure**

The UK infrastructure is advanced and well-developed. In UK, roads, bridges, and buildings are built with more technology. British people are accustomed to the modern way of life with fast-food chains.

##### **4.1.2.2.3 Cultural and Religious Issues**

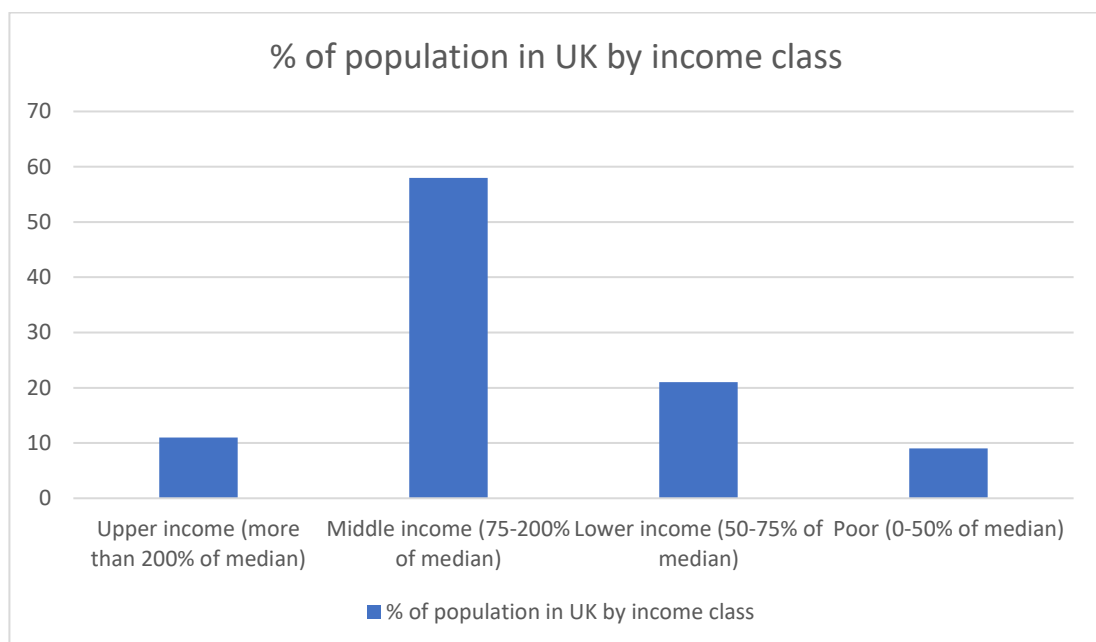
Most of the population in the UK is Christians, where they are fine with eating most of the items in the original menu, however, they have different eating habits that those in the US. But anyways, they appreciate McDonald's for its taste, authenticity, and speed service.

#### 4.1.2.2.4 Economy

The UK's economy is the fifth largest national economy in the world measured by nominal GDP, and the eighth largest in the world by purchasing power parity. However, it has faced a decline because of budget deficit, with big public debts and inflation and unemployment rising in first decade after the year 2000 (Schomberg & Milliken, 2010).

#### 4.1.2.2.5 Income of People

The UK has significantly less population than India, and it is considered to be rich with pensioners' incomes and net incomes increasing. The median household disposable income in the UK was around \$40,000 by the end of 2021. The below figure shows the distribution of people in the UK according to this median.



**Figure 10** Percentage of Population in The UK By Income Class

The above figure shows that 11% of the population are considered upper income class, 58% are considered middle-income class, 21% are considered lower-income class, and 9% are considered poor (OECD, 2019). This means that more than 70% are considered target customers in the UK.

#### 4.1.2.3 McDonald's in KSA (Saudi Arabia)

Collecting and combining the answers of the interviewees, and analyzing the previous records and studies, below are the main concluded points:

##### 4.1.2.3.1 General Background

McDonald's opened its first location in KSA in 1993, and ever since it continued operating in the country until now with more than 260 locations with more than 14000 employees. It's very popular in the Kingdom, however, the menu there is wide different than that in the UK or the US (Bostock, 2022). The first McDonald's store was opened in Jeddah on the Jeddah Corniche. The restaurants and the franchising rights are locally owned by RICC (Riyadh International Catering Co.) in the Kingdom's Central, Eastern and Northern areas, also called McDonald's Arabia, with Prince Mishaal Bin Khalid Al-Saud as a chairman. As for the Western and Southern areas, the franchising rights are owned by Reza Food Services company, with Alireza as a chairman.



**Figure 11** McDonald's in KSA

##### 4.1.2.3.2 Fast Food Market in KSA

McDonald's Arabia has a total of 20% of the fast-food market share in KSA. Around nine fast food companies are included in the McDonald's competitors list, according to four managers in McDonald's. these companies are: Herfy, Kudu, Al Baik, KFC, Domino's, Pizza Hut, Burger King, and Shawaya House. However, KFC is considered the main competitor since it serves the same type and theme of food as

McDonald's, Pizza Hut and Domino's also are powerful rivals although they provide and serve Italian fast food.

#### **4.1.2.3.3 Product Pricing**

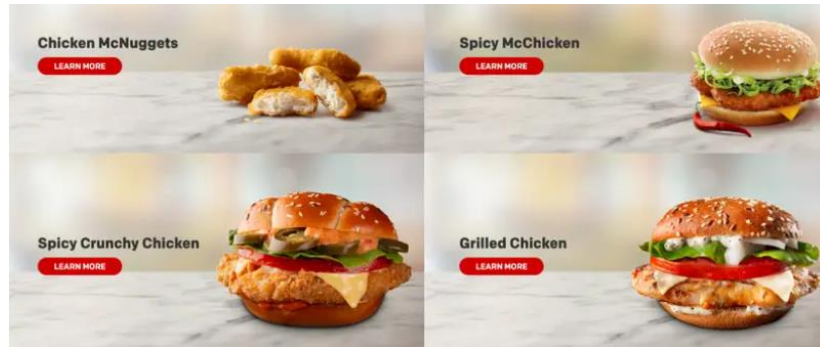
It was mentioned in the two previous sections (UK and India) that the pricing depends on several factors including the raw materials cost, the local community demand, and the competitors' strategies. Compared to the prices of McMeal in both UK and India, the average price of a meal in KSA is equal to 6.66\$ which lies between the prices in UK and India (Price Rankings by Country of McMeal at McDonalds (or Equivalent Combo Meal) (Restaurants), 2022).

#### **4.1.2.3.4 Infrastructure**

KSA is one of the most developed countries in the Middle East region when it comes to infrastructure. They are leading in technology and the Kingdom has the largest Communication Technology market in the ME and North Africa regions (ITA, 2022). As for the infrastructure, KSA is ranked 37 out of 148 countries as per the International Trade Center (Kumar & Albashrawi, 2022). People in the Kingdom are open to new technologies, and most of them –especially the youth- are used to modern technologies and lifestyles.

#### **4.1.2.3.5 Cultural and Religious Issues**

Being the home of Islam, the KSA market must've been as hard as India to penetrate. Pork is forbidden in KSA since it's an Islamic country, and pork is not allowed to be eaten in Islam. According to (Bostock, 2022), he mentioned that the menu in KSA is quite different than those in the UK and the US, especially since there is no pork at all on the menu. In addition, McDonald's offers a wide range of crispy chicken options in its menu in KSA, which are not all found in other countries.



**Figure 12** Chicken options on the KSA McDonald's Menu (Bostock, 2022)

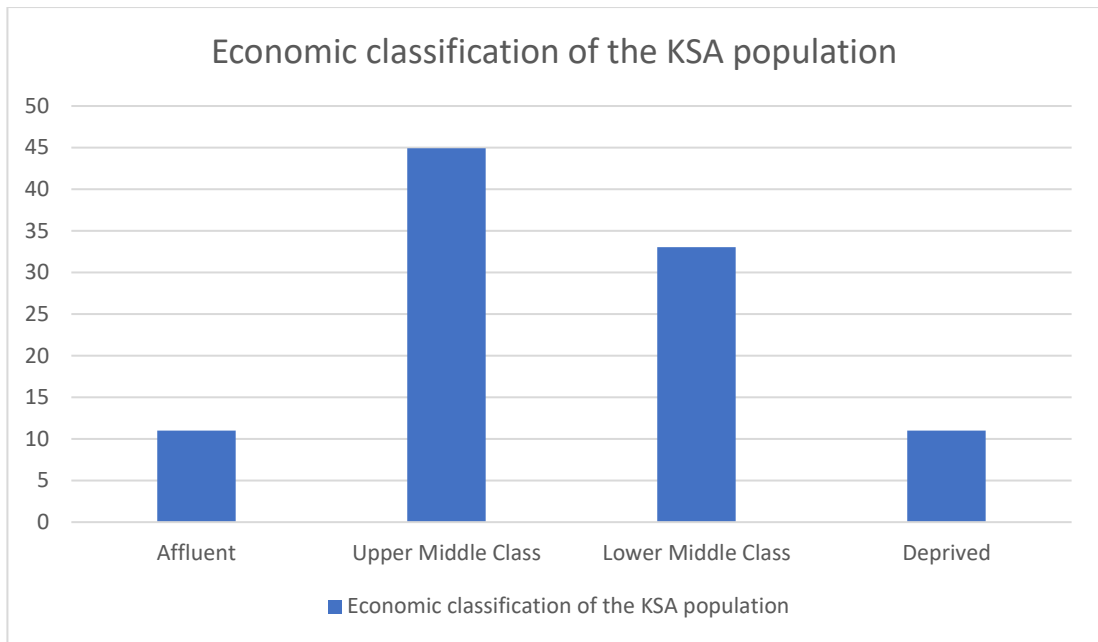
Moreover, following the rules and cultural customs in KSA, McDonald's serves by giving a number for each client, and then the specific number of the order appears on the screen when it's ready, so the customers come and take it. However, when the client comes and stands in line to order, McDonald's specifies two lines, one for single men, and the other for women and families (Bostock, 2022).

#### **4.1.2.3.6 Economy**

KSA's economy is ranked the twentieth largest economy in the world, and the largest economy in the Arab world. It has the second most valuable natural resources in the world. However, the economy of KSA heavily depends on oil (Anthony, 2019). And plans now are set to shift the economy from being oil dependent to non-oil dependent by 2030 (Kumar & Albashrawi, 2022).

#### **4.1.2.3.7 Income of People**

The below chart shows the percentage of the population in KSA according to their economic classification.



**Figure 13** Economic classification of the KSA population (AlOmar, Parslow, & Law, 2018)

According to the above chart, 11.01% of the KSA population belongs to the affluent class, 44.91% belongs to the upper middle class, 33.05% belongs to the lower middle class, and 11.01% belongs to the deprived class. This shows that more than 50% of the population are able to afford buying meals and products from McDonald’s.

#### 4.1.2.3.8 Marketing Strategy

As mentioned before, McDonald’s is fully owned by local companies, which made it easier for them to adapt to the local culture, thus McDonald’s didn’t suffer to understand the local culture of the Kingdom and was fully aware of the needs, characteristics, and requirements of the customer base and the market in general. McDonald’s kept of course its general theme, however the main change in the strategy was based on the menu offerings. So, the theme was kept as western fast-food restaurants, with same queue systems, ordering system, and other business operations, however the menu was modified where Halal options were added including more chicken-based food, and pork options were eliminated. Furthermore, the company used supplies from the Kingdom itself to get aligned with its menu’s purpose which is serving Halal food, so meat and chicken were originated from the Kingdom. As for the marketing campaigns and advertisement, no new efforts and ideas were provided here, the managers as they said, used the same tools used in other countries such as UK, where ads were presented on TVs and billboards.

Since the Saudi's culture, especially the youth nowadays, are more open to living western lifestyles, the McDonald's culture provides a suitable experience for this type of customers who wish to shift their life modes and try to include more western aspects to their lifestyles as mentioned. For the employees, western business operations are much easier than those traditional methods used in the Arabian small businesses and stores. As mentioned by more than 5 employees, they find the McDonald's working culture much happier and organized than other cultures in places they worked before, although it's more exhausting and requires standing out most of the time, but automating some operations makes it easier for them, in addition to the different shifts which adds more flexibility to their days.

Around 30% of the employees of McDonald's are Saudi's, whereas the rest of them are foreigners, mainly from Bangladesh, Pakistan, Philippines, and other countries.

#### 4.1.3 Comparison between McDonald's Marketing Strategies in India, UK, and KSA

**Table 5** Comparison between McDonald's marketing strategies in India, UK, and KSA

<b>Country</b> <b>Strategy</b>	<b>India</b>	<b>UK</b>	<b>KSA</b>
<b>Value proposition</b>	A western food chain restaurant, with a localized menu to attract Hindu people	American food chain restaurants with modified breakfast meals to attract British customers	Western food chain restaurants offer Halal meals that go align with the taste of Muslims
<b>Price</b>	Low-cost meals for a price equal to 3.87\$ per meal	Affordable meals for a price equal to 7.58\$ per meal	Affordable meals for price equals 6.66\$ per meal
<b>Product</b>	In addition to the standard meals, new items are offered on the menu based on vegetarian recipes since a large % of	The menu includes items similar to those on the American Menu, with few modifications on the breakfast items to	A wide range of chicken meals are introduced to the main menu in KSA, and all items made of pork are eliminated to adapt to



	the population do not eat meat	adapt to the British morning tastes	the Islamic culture in KSA
<b>Store Location</b>	290 locations in cities and more developed areas	1274 locations in urban and suburban areas	263 locations in urban areas
<b>Promotion</b>	McDelivery service is available – advertising through billboards and signage in addition to TV and newspapers	advertising through billboards and signage in addition to TV commercial ads	advertising focused on billboards and signage in addition to TV commercial ads
<b>Logistics</b>	All supplies are brought from India, especially for the products on the veggie menu	Supplies are brought from the UK	Supplies are brought from the Kingdom, especially that the meat and chicken should be treated in a Halal way

## 4.2 Case Study of IKEA

### 4.2.1 General History

IKEA is a Swedish company that is headquartered in the Netherlands. It was founded on the 28<sup>th</sup> of July 1943 by Ingvar Kamprad who was 17 years old at that time. The logo of IKEA and the whole design of the brand and the stores depend on the yellow and blue colors, which are the national colors of Sweden.



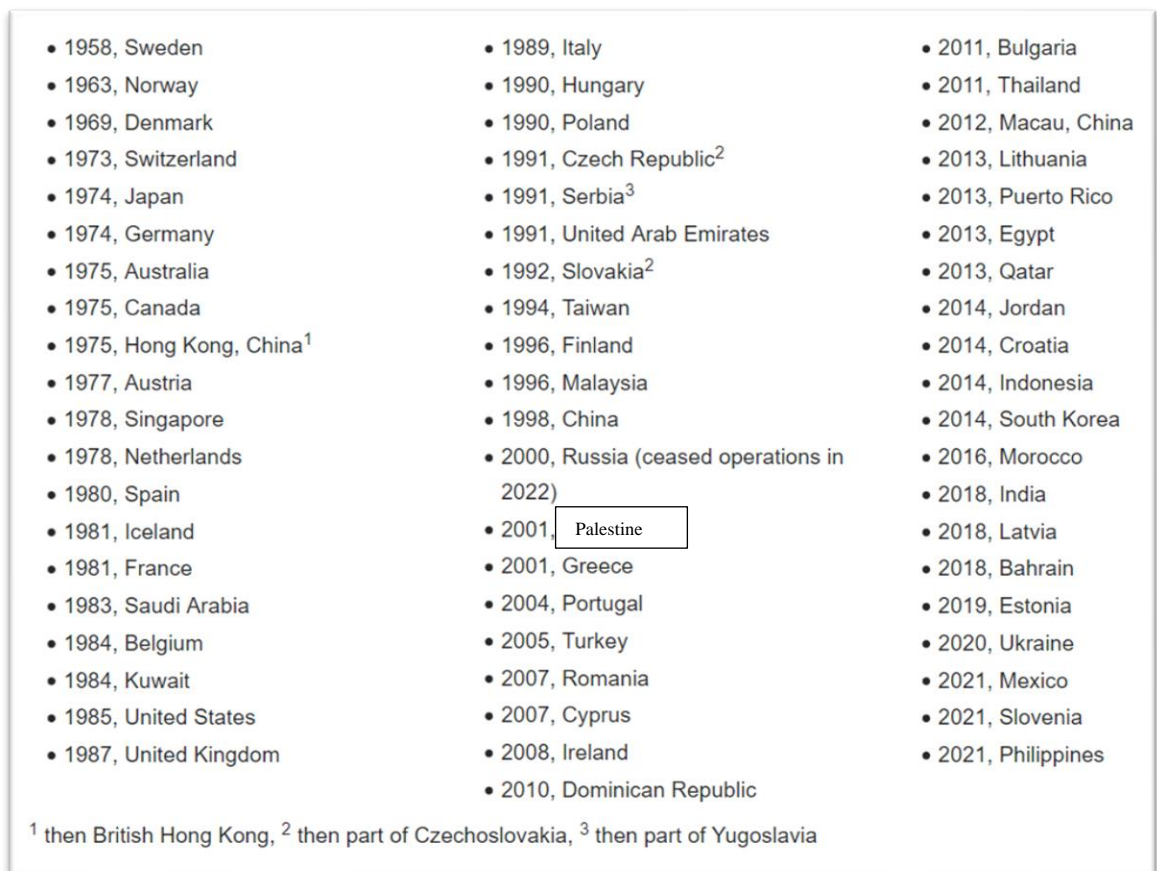
**Figure 14** IKEA Logo

IKEA designs and sells DIY (do-it-yourself) furniture, kitchen appliances, home accessories, and other products and home services. In 2008, IKEA became the world's largest furniture retailer. The name of IKEA represents the initials of the

founder, in addition to the family farm where he was born (Elmtaryd), and his hometown (Agunnaryd) (Loeb, 2012).

The founder of IKEA started it as a mail-order sales business, then moved to selling furniture after 5 years (Collins, 2011), then in 1958 he opened the first IKEA store under the name Mobel-IKEA where Mobel means furniture in Swedish. Five years later, Kamprad opened the first store outside Sweden in Norway, then Denmark in 1969, and the stores started to spread to other parts of Europe and then to the world.

Below are the first opened stores around the world with the years of their opening.

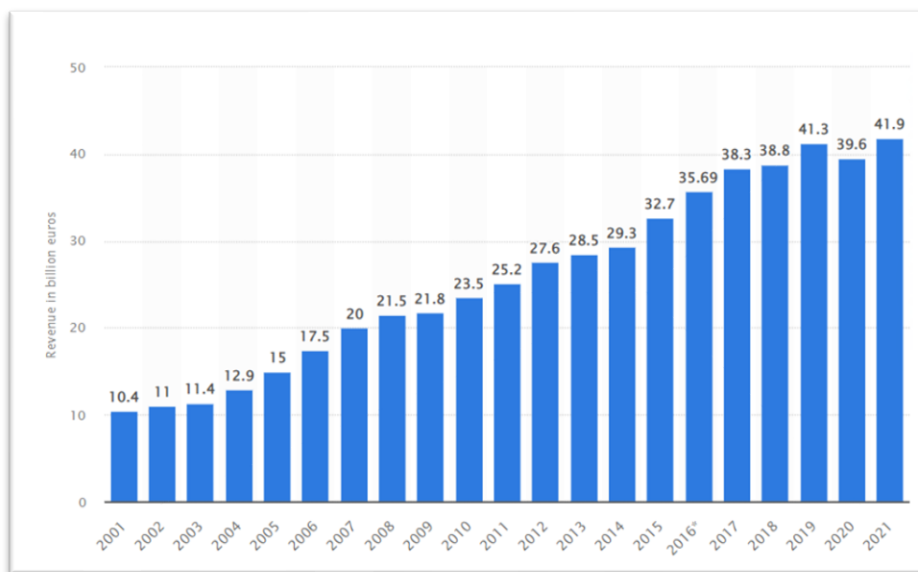


**Figure 15** First IKEA store opening in each location

By 2022, IKEA had 466 stores in 63 different countries, with more than 50 stores in Germany and the US, and more than 30 stores in France, Spain, and China, among other countries.

The stores of IKEA are operated by 11 different companies which have signed franchise agreements with Inter IKEA Systems B.V., these companies are Al-Futtaim Group, Al-Homaizi Group, Al-Sulaiman, Dairy Farm, Housemarket (Foullis Group), Ikano, INGKA Holding, Mapa, Miklartorg Group, Northern Birch, and Sarton Group (IKEA, 2022).

After 78 years in operations, and a huge expansion process across the globe, IKEA was able to generate a massive amount of revenue which reached 41.9 billion Euros in 2021.



**Figure 16** Revenues of IKEA 2001-2021 (Statista, 2021)

SWOT Analysis of IKEA (IvyPanda, 2021) (SWOT, 2022)

Strengths elements are:

- A wide range of products
- The use of innovation as a basis for problem solving.
- Appropriate pricing policy allows IKEA to sell its products at low prices.
- Adaptability to customer demands and new markets.
- Retail experience.
- The use of resources is based on sustainability.
- Environmental consciousness as a policy.

Weaknesses elements are:

- Its pricing strategy is heavily reliant on attracting customers.
- Weak presence in Asian market.
- There is a scarcity of research on consumer behavior within target market.
- Its commodity is heavily reliant on third-party manufacturers (more than 50%).

Opportunities elements are:

- Investigating and developing a strong position in the Asian market.
- Present marketing strategies should be updated in order to attract more consumers.

Threats elements are:

- Due to the unique characteristics of the local culture and buyer behavior, there are hardly any opportunities to preserve sustainability in the new market.
- Failure to integrate local values into the company's branding strategy.
- In emerging markets, finding sustainable wood suppliers, and recycling wood may be difficult.
- In many countries, pre-assembled furniture is less expensive.

#### **4.2.2 Case Study: IKEA (China, UK, Sweden, and KSA)**

In this part, the case study depends on the comparison between IKEA's performance in China, UK, Sweden, and KSA. Such comparison helps in understanding the similarities and differences in each market and gives a wider vision of the marketing strategy used by IKEA setting Sweden market as a reference market. IKEA has had challenges with international marketing, especially when opening in China. It has successfully standardized all marketing in large parts of the world, except for China. One of the main insights of IKEA is targeting women, as they are considered decision makers ( Johansson U., Thelander Å. , 2009). In most countries, the image of IKEA is that of a low-priced company, but not in China. The main strategy is to lower prices and make IKEA as affordable in China as known in the rest of the world. In China, consumers have less access to cars, so stores should be closer to public transport than in other parts of the world.

#### 4.2.2.1 IKEA in Sweden

In 1958, the first IKEA store in the world was opened in Sweden where most citizens are extremely stingy. It now has more than 19 stores, and it is essential in the home decoration market. The marketing terms focused its target on women, 20-49 years old, often with children. In addition to that the group of 55+, who are living alone and in a good financial position.



**Figure 17** IKEA in Sweden

##### 4.2.2.1.1 Marketing Mix

**Product:** Furniture was first introduced into IKEA product line in 1947, where they were made by local manufacturers. After that, products categories increased to contain any product that might be needed to furnish a home. After a boycott campaign forced by IKEA's competitors, IKEA found itself forced to start designing and manufacturing its own products, which led to more innovative and tastes-variety products.

**Place:** Back in 1951, IKEA faced a harsh competition with its main competitor in terms of pricing, that's when they decided to open its first showroom to offer the customers the opportunity to look at the products in 3D mode and sense the quality and texture of the offered products. Currently, as mentioned before, IKEA has 20 stores in Sweden itself.

**Price:** IKEA follows cost effective processes in every aspect of its business, therefore it's able to sell high quality products with affordable prices proportionally to its competitors.

Promotion: IKEA uses the catalog as the most important promotional tool, the first one was introduced in 1951, and was very successful. The launch of a new IKEA catalog now is a major PR event, with major newspapers publishing long reviews and commentaries (Martenson, Innovation in Multinational Retailing, 1981). The website is also an important mean of communication especially when it comes to new customers. It prepares them for a new experience of IKEA's stores.

#### **4.2.2.2 IKEA in the UK**

IKEA has been in the UK for 23 years with more than 20 branches. The target group in the UK is the middle-class women aged from 25 to 45 with families with various products and product groups. The UK is one of the most profitable markets for IKEA, which is considered the first furnishing store in the UK.



**Figure 18** IKEA in the UK

#### **4.2.2.2.1 Marketing Mix**

Product: IKEA offers in the UK the same products that are offered in almost every IKEA store in the world, even though the UK market has slightly different requirements, however, IKEA managed to force its standards in the UK where they eventually accepted it.

Place: The first IKEA store was opened in the UK in 1987, and now there are 27 IKEA stores covering all the UK territories.

Price: Prices in the UK are relatively low compared to the products' quality. It was obvious that IKEA has cut 20% of the prices in the last 8 years.

Promotion: The catalog dominates the marketing activities in the UK, which is responsible for 70% of the marketing budget. Distribution in populated markets is very expensive and is not effective as before. Advertising at IKEA UK is more daring and challenging. The IKEA and St Luke's 1996 'Chuck out the Chintz' is well-known (indeed even Tony Blair referred to it), as is the 'Stop Being So English' campaign. The company has changed the perspective of the market and its customers where "being different" became UK's favorite message since British consumers spend more on their homes (Torekull, 1998).

#### **4.2.2.3 IKEA in China**

In 1998, IKEA started in China along with meeting with local laws, understanding and studying their needs, and adapt to them accordingly. The company made slight modifications in order to fit with the Chinese market but kept its own style (e.g., small apartments with functional furniture). It also faced the same problem when operating in America. Locals needed bigger beds and bigger closets. IKEA had to make some changes to its marketing strategy.

The writers of the research Johansson U. and Thelander (2009) offer a perception into the promptest IKEA has had with international marketing. As exemplified through their release and communique in China. The company has efficaciously standardized all marketing and rollout in predominant regions of the world; however, China proposed a problem with the vision of standardization assuring that it will cause difficulties. The article identifies girls because the number one goal is demographic. This is because they are the choice-makers at homes. IKEA believes their targeted consumers are females between the ages of 30 and 35. IKEA draws younger human beings in China who are open to non-local manufacturers and are unbiased in their generation (Ackerman, D., and Tellis, G., 2001).

IKEA is related to low-price merchandise. The primary goal has been to decrease expenses and make it the low-price version famed throughout the globe. However, there's trouble for IKEA which is the concept of "Do it Yourself (DIY)". While IKEA is often known as an adaptive market, it is far obstructive that the corporation has needed to make predominant adjustments in China.



**Figure 19** IKEA in China

Moreover, there were some trade barriers for IKEA caused by the Chinese laws, where it had to enter the Chinese market with a joint venture especially since it was not allowed for them to be landowners, instead the Chinese partner was. This was a huge factor that limited the reach in the market and thus limited IKEA from reaching the desired number of potential customers. However, after China joined the WTO, the legal barriers were reduced, and foreign companies were allowed to open stores and fully own them in China. This allowed IKEA to buy all the remaining shares from its partner and re-own its stores fully and thus continue with its expansion plan without restrictions, which made China one of IKEA's most growing markets in 2013 (Fenton, n.d.).

Another challenge was added to IKEA's mission in China, where lots of Chinese customers do not own cars, they use public transportation instead. Usually, IKEA do not open in the city centers in order to avoid high renting fees or high land prices, in addition to crowded places that lead to increase jam traffics. This is why they open their stores in suburb areas, and in China this was a problem since they needed to find locations in the suburbs with accessibility to good transportation stations and at the same time large enough to open their stores. For this reason, IKEA worked hard on improving its delivery and installation services (Fenton, n.d.).

#### **4.2.2.3.1 Marketing Mix**

**Price:** At the beginning, IKEA tried to use similar strategies as the ones used in other countries in the world, especially in Europe and the US, however, the first hurdle was the price. Since IKEA is famous for its high quality – affordable prices products, this



wasn't exactly the situation in China, its prices were fair to the mid-class people and higher. IKEA found itself in a situation where customers were buying anything but furniture, and others were approaching IKEA and taking the descriptions of its products without actually buying them, then copying them in their own factories to sell them at lower prices and of course lower qualities. Such a problem forced IKEA to modify its strategies to adapt to the market in China.

However, even after adjusting the pricing strategy that led to lowering the profit margins and even led to losses in some cases, this did not solve the problem. Western goods are perceived to be of higher quality than those Chinese goods in the market, and thus it was expected that the prices were higher. So, when the prices were lowered, the customers in China were confused, and expected that the quality was reduced as well (Fenton, n.d.).

**Product:** The second hurdle for IKEA in China was the types and characteristics of products sold at its stores. For example, Chinese people live in small apartments, and mainly they all have balconies, so IKEA had to introduce smaller furniture, in addition to smart furniture that allows the customers to benefit from their spaces. Moreover, IKEA introduced a large collection of storage products, and opened a specialized section for balcony furnishing where it allowed its customers to take care of their balcony and make it their special place. Furthermore, IKEA sells in China traditional and cultural Chinese products, such as chopsticks, wok with a lid and a cleaver, and special sets of teacups.

**Place:** The first IKEA store was opened in China in 1998, and now there are 36 stores all over the country.

**Promotion:** Unlike the other countries, IKEA doesn't use catalogs in China since they were used to imitate its products and sell them at lower prices. On the other hand, IKEA uses Chinese social media and micro-blogging website Weibo to target the urban youth group.

#### **4.2.2.4 IKEA in KSA**

Combining the answers of the twelve different people that were interviewed, below are the main conducted points.

#### 4.2.2.4.1 General Information

Saudi Arabia is one of the biggest countries of the Middle East as seen below.



**Figure 20** Southern Asia's Map

Saudi Arabia has the kingdom system where it is ruled by a king. It has a modern with modern infrastructure such as modern streets, architecture, and airports. Below are few facts about the kingdom: (Axiom Press Inc. Bering Guides)

**Table 6** Facts about KSA

<i>Capital</i>	<b>Riyadh</b>
<i>Population</i>	28,686,633 including 5,00,000 non-nationals
<i>Currency</i>	Saudi Riyal
<i>Language</i>	Arabic
<i>Literacy Rate</i>	84.7% (male), 70.8% (female)
<i>Annual Population Growth Rate</i>	3.3 percent
<i>Area</i>	750,965 square miles (1,945,000 sq km)
<i>Major Cities</i>	Dammam, Dhahran, Jeddah, Jubail, al-Khubar, Mecca, Medina, Najran, Riyadh, Tabuk
<i>Natural Recourses</i>	Petroleum, natural gas, iron ore, gold, copper
<i>Main industries</i>	Oil and gas production, petrochemicals, wheat, construction, communication and transportation.

#### 4.2.2.4.2 Saudi Arabian Economy

The oil industries, which is 20% of the world's petroleum services, have a great contribution to the huge wealth of the Saudi economy, and according to the CIA, its economy is the 23rd globally. The kingdom depends on the foreign labor where it was counted in 2009 that 80% of the labor force are foreigners. As shown in the table almost 5,000,000 are non-nationals according to Reuters Staff, رويترز.

However, the government is changing those rates by hiring more Saudis in the private sector to reduce the unemployment (12% in 2008 for the males and 25% for females).

#### **4.2.2.4.3 Saudi Internationalization**

The new Saudi generation is heavily exposed to other cultures because of many reasons, such as having almost 5 million foreigners that came to work in the country, adding to that having the opportunity to travel and tour in western countries and study over there.

Brands such as Carrefour, IKEA, Ashley's, Chanel, Mercedes are good examples of foreign normal and luxurious retailers that have been attracted into the Saudi market.

#### **4.2.2.4.4 Saudi Culture**

In order to understand this culture, it's important to understand the Islamic religion since it is directly connected with the political system and locals' traditions and beliefs.

Islam is the dominant religion of the citizens, appreciating their religion makes it easier to relate to other aspects in Saudis' lives. The Saudis' life is focused on the family, they are famous for having large and extended families, with an average of 5 children per family, that are mostly united and meet occasionally.

#### **4.2.2.4.5 The Franchising of IKEA**

Foreign investors, before the 2000s, were required a Saudi partner to establish a direct investment in the country, so IKEA was forced to have one to be able to enter the Saudi market. Franchises are secured only to companies or individuals that can offer a strong market penetration. Ghassan Alsulaiman Furniture Co. took the external

franchise for IKEA in Saudi Arabia which makes it the first company in the world to acquire this franchise for IKEA.

#### **4.2.2.4.6 IKEA stores in KSA**

IKEA first franchise ever was in Jeddah in 1983 and for the first time in the Kingdom. After two years of success, IKEA has relocated since it was a villa of 500 square meter. The new store was 8000 square meter and part of a shopping center. The store was w huge success that it opened a new outlet in 1993 in the capital Al Riyadh which was 16,000 square meters. Finally, IKEA opened the last store in 2008 in Dhahran which was 22,000 square meters.

Which leaves us with 3 stores in the kingdom consisting of two floors and underground parking or ground level with sunshades because of the hot weather.

**Table 7** IKEA stores in KSA

Store	Number of Floors	Location	Area in SQM	Number of employees
Jeddah	2	Inside the city	28,000	250
Riyadh	2	Suburbs	22,000	225
Dhahran	2	Inside the city	22,000	205

#### **4.2.2.4.7 IKEA Shopping Experience**

At the store, customers can measure and use the products, any confusion is solved by IKEA’s employees. IKEA’s customer experience consists of a group of 2 to 5 people where everyone exchanges opinions and swapping items to their likings.

#### **4.2.2.4.8 Self-service concept**

For the first time in Saudi Arabia in furniture retailing, self-service concept was introduced. One of the interviewees explained that IKEA is the only furniture store in Saudi Arabia where people do not have direct assistance from A to Z. They are used to have employees follow them and provide them with the needed information. At first, it was perceived by the locals as if the company didn’t serve them well.

This was IKEA’s first obstacle. However, it managed to overcome this cultural attitude by training their employees and focusing more on the store communication. Employees were trained to deal with those type of customers and answer their

questions. Even if the customer looked confused while purchasing an item, the employee should step forward and help the client.

One of the managers added that IKEA began with educating the clients about IKEA's shopping method; it was a challenging for them at that period of time. Employees had to show the customer that it is beneficial for them to shop alone, and how they will be rewarded with cheaper prices by helping themselves. The message of IKEA having the cheaper prices has been successfully delivered to the clients.

Throughout the whole store there are screens and posts guiding the trained and untrained customer by explaining the shopping process. However, another obstacle that IKEA faced in the Saudi company is the idea of having to carry the sofa or closet by themselves. As they complained that what is the use of having employees if they cannot deliver the product.

#### **4.2.2.4.9 No “don't” in IKEA store**

IKEA is a concept that wants to attract people by letting them experience every product as if they are at home. So, the word “don't” is never seen in the store. One of the managers said that IKEA is not what people expected, in a positive way. For example, children are free to run around as long as they do not damage items, and if the parents want to have a mischief-free store trip, there is a kid's area where they are supervised while they play.

#### **4.2.2.4.10 The Formula Quality/Price**

Most of the clients claimed that IKEA's prices are high when comparing to local brands. However, others think that they have reasonable prices and very cheap accessories.

Hamad, 46 years old, has a family of a wife and 4 children says that his wife is a big fan of IKEA and would like to pay the whole store, even unnecessary thing and that she would spend 150,000 Saudi Riyals or 730,000 Turkish Lira in one visit.

#### **4.2.2.4.11 Product Range**

IKEA has the same products worldwide, as the range manager says that there are no changes or adaptation done when it comes to the products. The only difference is

that they get to choose different range, for example, pet-related products are not available since the culture do not support having an animal at home, also the ones that had religious symbols such as the cross or the Jewish candlestick.

The products' names remain the same in all the stores. That doesn't seem to bother the Saudi clientele since most of the people interviewed answered that they do not care because they do not understand what it says.

One simple interesting thing IKEA has been able to achieve is the shifting of the customer's likings, for example, the wine glass is perceived as fancy juice glass.

#### **4.2.2.4.12 IKEA's Restaurant**

Saudis loved the concept of the restaurant, and it is always occupied by customers that love Swedish food. Of course, the restaurant serves halal items, items that do not contain pork and alcohol. However, there are substitutes to those products. For instance, bacon is replaced with beef bacon, wine with grape juice and beer with non-alcoholic beer.

IKEA went far in adapting to the local taste by selling Shawerma (durum) sandwiches at a very cheap price for almost 3 SAR or 15 TRY. Plus, the amount of food is more than the one in Sweden

#### **4.2.2.4.13 Marketing Communication**

Different marketing tools were used in the kingdom. There is the website, catalogue, and in store ads. The catalogue is no more used since everything accessible online and they even creating the smart app where a customer could take a photo of his home and decorate it with IKEA's items on his phone.

However, IKEA focuses on the housewife in specific and on the whole family in general. In the advertisements, the women and men are mainly dressed in the traditional customs and covered too (the thob and abayas). About 10 years ago, customers service department got complains about a TV ad, where the woman was showing her face, and they asked to either remove the ad of this woman or make another one with her wearing the 'Niqab' (a scarf that covers the whole face of the woman). To which IKEA responded by replacing the woman with a fully covered one.

IKEA communicates with the whole family for various reasons. Some marketing ads are directed towards the housewives since they are the decision makers at home.

Other ads are directed to children since families in the kingdom tend to have around 5 children per family. Finally, IKEA doesn't forget the fathers from their ads since they are the ones making the payments.

#### 4.2.2.4.14 Conclusion

IKEA did a very good job preparing their entry into Saudi Arabia. Even though that the Saudi culture is shifting towards globalization, it still kept the balance between the local culture and the company's culture, this was a challenge since the Saudi culture is lost between western and oriental culture.

IKEA's case in Saudi Arabia is a big example of successful expansion while implementing the standardization method. The key is to carefully study the local market and culture. Saudis were very fond and appreciative of IKEA's adaptations which were very little that it didn't affect the image of the company. The showrooms have been designed as the liking of the Saudi market and also reflected the company's own values. IKEA also has kept the Swedish names of the products but changed the controversial names such as wine glass to juice glass. All non-Islamic products have been removed such as Christmas products.

Plus, IKEA has a very careful pricing strategy, which is making the prices affordable for everyone, all tags are clear to the customer and so are the prices.

To summarize the adaptation measures took by IKEA's stores in five major aspects, tabled down in the below table:

**Table 8** Adaptation measures in IKEA's stores in KSA

<b>Restaurant</b>	Food ingredients (no pork, no Alcohol)	Add Shawerma	Add TV screens
<b>Product</b>	Only Islamic symbols	Change products description	Two languages used in the Price tag (Arabic, English)
<b>Service</b>	Delivery	Opening hours	After sale service
<b>Marketing communication</b>	Target the housewife by using Arabic language	Use two languages inside the store	No female actress in the catalogue
<b>Servicescape</b>	Restaurant area	Parking location	Add a praying room

### 4.2.3 Comparison Between IKEA's Marketing Strategy in Europe and China and KSA

The table below shows two different strategies implemented by IKEA in Europe and China.

**Table 9** How IKEA's Strategies Differ in Europe and China (*Chu, Dec 6, 2006*)

<b>Country</b> <b>Strategy</b>	<b>Europe</b>	<b>China</b>	<b>KSA</b>
<b>Value Proposition</b>	<ul style="list-style-type: none"> <li>- Good quality</li> <li>- Stylish items</li> <li>- Affordable prices</li> </ul>	<ul style="list-style-type: none"> <li>- Good quality</li> <li>- Western-styled items</li> </ul>	<ul style="list-style-type: none"> <li>- Good quality</li> <li>- Western-styled items</li> </ul>
<b>Product</b>	<ul style="list-style-type: none"> <li>- Stylish</li> <li>- Functional</li> <li>- Home furnishings</li> </ul>	<ul style="list-style-type: none"> <li>- Resizing products to Chinese apartment sizes</li> </ul>	<ul style="list-style-type: none"> <li>- Stylish</li> <li>- Functional</li> <li>- Removal of religious symbols, etc...</li> </ul>
<b>Store Location</b>	<ul style="list-style-type: none"> <li>- Suburbs</li> <li>- Next to highways for easy access to cars</li> </ul>	<ul style="list-style-type: none"> <li>- Outskirts of cities</li> <li>- Next to rail networks</li> </ul>	<ul style="list-style-type: none"> <li>- Within the city</li> </ul>
<b>Price</b>	<ul style="list-style-type: none"> <li>- Low-cost</li> </ul>	<ul style="list-style-type: none"> <li>- Affordable prices</li> </ul>	<ul style="list-style-type: none"> <li>- Affordable prices</li> </ul>
<b>Promotion</b>	<ul style="list-style-type: none"> <li>- IKEA's catalogue</li> </ul>	<ul style="list-style-type: none"> <li>- Advertising on Chinese social media</li> </ul>	<ul style="list-style-type: none"> <li>- Catalogue</li> <li>- TV Ads</li> <li>- Banners</li> </ul>



		- Micro-blogging website Weibo	- Ikea's website
<b>Logistics</b>	- Products made in developing nations and shipped to Europe	- Raw material and products are sourced locally - IKEA also built two factories in Shanghai to avoid high import taxes	- Products are made in nations like China and Malaysia, and shipped to the kingdom

Also, below is a table showing the difference between Saudi culture and IKEA's international culture, then the adaptation and partial adaptation measures taken in Saudi IKEA stores.

**Table 10** IKEA culture VS KSA culture

Standard/adapted (Saudi)	IKEA international culture	Saudi Arabian Culture	IKEA Saudi Arabia
Saudi	Uniform	Modified uniform	Modified uniform
Saudi	Western Product range	Conservative product range	Conservative product range
Saudi	Swedish festivals celebration	Islamic Festivals (Eid Fitr, Eid El Adha)	Only Islamic festivals and IKEA new year
IKEA standard Saudi	Self-service	High service orientation	Partial Self-service
IKEA standard Saudi	liberal culture	Conservative behavior	Fairly open culture
IKEA standard	Simple furniture	Luxury furniture	Simple furniture
IKEA standard	Family concept	Family concept	Family concept
IKEA standard	Outsource home delivery and installment service	Free home delivery and installment service	Outsource home delivery and installment service

IKEA is known for its large selection of products that are all very similar in design. The company's vision is to make its items as affordable as possible. To achieve that, IKEA offers a wide range of stylish home furniture at very affordable prices that almost all people can afford (IKEA's corporate web site, 2008). The company has a principle to operate in every country similarly which offers operational benefits and makes it possible to keep affordable prices to as many people as possible. The location and store format include large stores located on the outskirts of cities making access by car preferable.

IKEA's in-market communication is dominated by the catalog which is an unusual method for an international retailer, and it is the core of the marketing strategy. Through this method, IKEA accounts for 70% of the annual marketing budget. From IKEA's point of view, such standardization is logical as it makes it possible to deliver a strategy of low prices 'for the many people in a way that a more adaptive strategy would not (IKEA's corporate web site, 2008).

### **4.3 Conclusive Findings**

#### **4.3.1 Findings of McDonald's Case Study**

In general, food is the main aspect that differs from country to country, or region to region, regardless of the economic state or level of development of the country. There are various cuisines around the world, where each nation is specialized in a different type of food, eating habits, and food presentation. The chain restaurants generally have to take well-studied decisions and actions when deciding to go multi-national. Restaurants should take into consideration two things, the first is to introduce their actual products, and the second is to modify their marketing techniques, menus, food presentation, and types of provided services.

For McDonald's, they understood the lesson very well, they knew that each country has unique traditions, cultures, and habits, which means that different strategies should be used in each market. That's why its main strategy "Think International, Act Local" is a very successful strategy, and led it to be taught in business schools of marketing and economy. In conclusion, McDonald's appreciates the adaptation strategy over the standardization, this was seen especially in India and KSA where it worked on modifying its menu and creating new services such as delivery.

#### **4.3.2 Findings of IKEA's Case Study**

IKEA's standardized approach makes it one of the most internationalizing retailers around. Its business model is similar in each market it enters. Its marketing strategy has been the subject of discussion for a number of years, with older analyses focusing on its overall approach, and more recent ones taking a more holistic perspective. (Salmon, W.J., Tordjman, A., 1989) ) Or take an overview perspective (Salzer, 1994) (Martenson, Innovation in Multinational Retailing, 1981). There has also been a debate over whether

adaptation was one of the key success factors in international retailing, rather than the standardization, of customer facing marketing strategies; e.g., (Cui, G., Liu, Q., 2001) (Dawson, J., Mukoyama, M., 2006) (Rundh, 2003).

As per the above-mentioned cases, it was obvious that IKEA uses standardization generally in all markets as it was seen in the UK where it imposed its product lines on the UK customers and made a revolutionary change in their minds. However, in China and KSA this wasn't the case. IKEA used the standardization strategy at the beginning in China only to discover it was a failure, so it managed to use the adaptation strategy in this market specifically and used the same strategy in KSA as well. Such strategy modification cannot always succeed, but it was necessary and profitable in both China and KSA relatively to the huge population in there.

IKEA's case shows that a company cannot choose to use adaptation or standardization strategies without looking deeply into the market type and characteristics, including the customers and market segments. Moreover, each industry requires a certain type of strategy formulating that allows the companies in this industry to achieve maximum benefit and maximum revenues taking into consideration its brand identity and reputation.

## CHAPTER 5

### 5. CONCLUSION AND RECOMMENDATIONS

#### 5.1 Conclusion

Whether or not no longer one agrees with Levitt at the globalization of markets, his paper from 1983 sparked a globalization and marketplace communication debate. Even though the essay was written a few years ago, it keeps helping entrepreneurs in taking a good method to markets. Levitt may also have written the essay to get businesspeople observe the world, in addition, to determine out how they ought to method the difficulty of standardization vs. adaptation along with the improvement of advertising communique for global markets.

There can be plenty of reasons for determining to standardize or adapt to foreign markets, all of which might be tied to the advantages and disadvantages of every method. The advantages of standardization include value financial savings and economies of scale, ensuing in inexpensive pricing for clients, in addition to the capacity to create a global photo, growing the cost of popularity. The company would possibly use a symbolic photo or image of the company and its items to unite the identities of many markets. The advantages of the adaptation method are that a company could tailor their message to foreign needs and customs. Culture has a crucial function in how humans understand a product and the way they talk approximately it. For a company's marketing method, way of life ought to seem like a first-rate strategic aspect.

Answering the research questions: How do franchisors and multinational companies decide about which strategy (standardization or adaptation) to choose while entering into new international markets? Why do they choose such strategies in different locations? And which strategy is the most commonly used and applied by the aforementioned companies? This research showed that the difference in cultures is a

basic component to be taken into consideration when making the decision of going international. Companies choose either standardization or adaptation strategies, or even both of them in a specific market based on the characteristics of this market. In the discussed cases here, some markets did not require using the adaptation strategy, since the culture and the customers in these markets were similar to the already followed marketing strategies, such as IKEA in the UK. However, the same company couldn't succeed in using only the standardization strategy in another market that is completely different than the UK market which is the Chinese market. IKEA was smart enough to change its strategies and switched to the adaptation strategy which revealed a huge success later on. On the contrary, McDonald's which is coming from an industry that is widely distinct from that of IKEA's, proved that the food industry cannot succeed in multinational dimensions without using the adaptation strategy. Going back to the main point, the culture as mentioned is the most important factor to be considered, and food is indeed a big part of any country's culture. However, at the same time, McDonald's uses a bit of the standardization strategy in markets that are relatively similar with small modifications to fully adapt to the place where it's operating.

In conclusion, multinational companies choose their strategies according to the market requirements, and of course using their experience in the previously entered markets. According to their expertise, and sometimes to their evaluation of the current processes, they choose to switch between the two strategies, or simply mix them.

## **5.2 Limitations of the Study**

There were several limitations while conducting this research. The main concept visualized about this research is a more detailed study concerning specific industries, but this will take more time to reach out the appropriate required sample of each industry. Moreover, such studies require a specific type of sample, which there was no access to it.

In addition, although there are lots of studies that were made lighting the same topic discussed, however there was a lack of previous studies on our topic specifically. Information about the different marketing strategies was found, however only limited resources about the exact marketing methods and events that were faced by the two

companies under study that might give a clear view about the reasons behind choosing the strategies.

Moreover, time restriction was a significant limitation especially in the interviews, as it took lot of time to communicate with the management of IKEA and McDonald's since they were afraid of the publicity of the research and concerned of sharing information for their competitors, another limitation of the study was the conservative behavior of the Saudi society and lack of support to these types of studies.

Finally, the results of this research can be later updated in the future years in order to obtain a clearer view of both the standardization and the adaptation strategies, reasons to choose either of them or both together, and the methods of implementing them successfully in new international markets.

### **5.3 Recommendations**

It is recommended that the companies who are aiming to move to the international market to pay a close attention on the culture of the new intended destination. Hiring a marketing team from the desired destination to cooperate with the existing marketing team is highly important to help in understanding the nature of the market, competition, and customers in that destination.

Furthermore, it is also recommended to consider neighboring countries as one destination, especially the countries that have similar cultures and traditions. This shall help companies in reducing costs and applying processes for once instead of paying double expenses for the same market. i.e., considering neighboring markets as one market and set a united strategy for them.

In addition, for IKEA, it's known that they basically target families, it is best if it changes its strategies a little bit and start targeting individuals who are both young and professionals, i.e., they have their own homes, and targeting families who have both partners working but have no kids which means they have double incomes and no kids. However, as the lifestyle is changing around the world and people are more likely to live alone or wait longer to have kids, IKEA also has designed rooms that relates to this category.

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## **CURRICULIM VITAE**

## **APPENDIX 1**

### **IKEA – Interview Questions**

#### Interview with IKEA Managers

1. How long have you been working at IKEA?
2. Did you get the culture training?
3. What makes IKEA special?
4. Why did IKEA adapt?
5. How did IKEA adapt to the Saudi culture?
6. Are the different genders working together?
7. Are the delivery services done by IKEA or by a local company?

#### Interview with the customers

1. Why do you shop at IKEA?
2. Did you know about IKEA before opening in Saudi Arabia?
3. How often do you shop here?
4. What is your opinion about the prices?
5. How about the quality and variety?
6. How often do you change your furniture?
7. How do you describe the delivery service at IKEA?

#### Interview with the employees

1. Do you like working at IKEA?
2. How is the management with your other coworkers?
3. Did you get the culture training of IKEA? What did you learn?

## **APPENDIX 2**

### McDonald's – Interview Questions

1. Please explain the history of McDonald's in Saudi Arabia. Are there any milestones? Are all the franchisors belonging to the same company group in Saudi Arabia?
2. Please provide general information about the company, employees, branches, years of business, top selling products or menus.
3. Market Related Questions:
  - a. What is the current situation of the market?
  - b. What is the market share?
  - c. Who are the competitors?
  - d. Which company do you think is the closest competitor?
4. Marketing Strategy Related Questions:
  - a. How does McDonald's marketing strategy stand out in KSA?
  - b. How does McDonald's culture fit the Saudi market from different perspective which has a different culture?