

## International Marketing Strategy of Design-Driven Companies

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**Abstract.** Companies competing in foreign markets may choose to adapt their products to fit local market consumer needs or to standardize their offer to keep costs low. There are numerous researches investigating the antecedents of this choice. Little research has looked into design product sector. This paper is focusing on investigating how design-driven companies where design is the distinctive identity of the company internalize their product. We try to conceptualize the extent to which marketing mix should be adapted for this type of businesses.

**Keywords:** international marketing, design products, standardization/adaptation strategy, marketing mix

### 1. Introduction

When going international, one of the major marketing decisions in international marketing to be done is to decide on marketing program: to choose between development of a global product and creation of adapted product that satisfies foreign market consumer needs. This is a challenging issue as organizations are the most competitive when they simultaneously meet the goals of global efficiency and local responsiveness (Powers and Loyka 2010).

Extensive amount of research has been done in this topic, they primary focused on advantages and disadvantages between product adaptation and standardization (Birnik and Bowman 2007; Friedman 1986; Hitt et al. 1998; Shoham 2002). Also various antecedent factors that affect the decision to standardize or to adapt the firms' marketing strategy has been identified in the literature: environmental factors, market characteristics, customer issues, competition, product and industry, organizational factors, managerial factors (Theodosiou and Leonidou 2003).

However, based on thorough review of the literature by Theodosiou and Leonidou (2003) the product factors determining the marketing strategy referred mainly to the type of the product (i.e., consumer or industrial), the technology orientation of the industry (i.e., technology-intensive or "old-line"), and the stage of product life cycle (i.e. early or mature). Industrial goods in comparison to consumer products required a more standardized approach (e.g. (Akaah 1991; Cavusgil et al. 1993; Ozsomer et al. 1991). Most of the consumer product researches on international strategy have been focusing on industries like food products. However, less focus has been put on design product sector. In addition, the previous research in the area has focused primarily on overall product issues, as opposed to examining the level of adaptation made by individual marketing mix elements: product, price, promotion and distribution. (Powers and Loyka 2010). This paper is focusing on investigating how design-driven companies where the design is the distinctive identity of the company internalize their product? Therefore, the aim of this paper is to propose the adaptations of marketing mix of these types of companies on international markets.

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## **2. Literature review**

### **2.1. Standardization vs. adaptation strategy**

The topic of adaptation/standardization has been the subject of spirited, on-going discussion for several decades (Griffith and Ryans 2000; Jain 1989). Standardization means selling essentially the same product in all markets. Proponents of the standardization approach view the globalization trends in the world as the driving force behind greater market similarity, more technological uniformity, and higher convergence of consumer needs, tastes, and preferences (Levitt 1983; Ohmae 1985). The advantage of this strategy is lower costs due to economies of scale and experience that accrue from designing, manufacturing, and distributing identical product in multiple countries (Buzzell 1968; Hovell and Walters 1972). But there is also a drawback that the product might not satisfy the customer (Horska and Ubreziova 2007).

Adaptation approach argue that, despite increasing globalization tendencies, variations between countries in such dimensions as consumer needs, use conditions, purchasing power, commercial infrastructure, culture and traditions, laws and regulations, and technological development are still too great, thus necessitating the adjustment of the firm's marketing strategy to the idiosyncratic circumstances of each foreign market (Terpsta and Sarathy 2000). Adaptation is the degree to which the physical characteristics or attribute of a product and its packaging differs across national markets (Cavusgil et al. 1993). However, modifying products is usually costly, but implemented changes may create better fit to the customer needs it may generate high revenues. There is no right strategy but each strategy could be the optimal under specific internal and external forces (Katsikeas et al. 2006).

There is some research evidence that different "hybrid" strategies can be pursued simultaneously and successfully, although at a greater managerial complexity and cost (White and Poynter 1989). The challenges for the international firm is to determine which specific strategy elements are feasible or desirable to standardize or adapt, under what conditions, and to what degree (Theodosiou and Leonidou 2003). Hence, it is important for marketers to find the optimal adaptation/standardization level to maximize company revenue and market share on the international markets.

### **2.2. Marketing mix in international marketing**

Marketing strategy is the central construct in the standardization/adaptation debate and has traditionally been defined as the statement of how the company is going to achieve its marketing objectives (Kotler and Armstrong 2001). While it is usually evaluated within the context antecedent factors, it is important to know the actual managerial practices with the respect to the specific level of standardization/adaptation realized (Theodosiou and Leonidou 2003). Adaptation of a marketing program is related to the adaptation of various aspects of the marketing mix such as product, promotion, price and distribution (Jain 1989; Sorenson and Weichman 1975). Each of the individual marketing mix elements has unique characteristics that can make it differ in its needed level of adaptation in the international marketplace: product, pricing, place and promotion.

### **2.3. Design-Driven companies**

By design-driven companies in this research we understand the companies where the design is the distinctive identity of the company. Design is strongly associated with their brand and is highly valued by consumers. They offer the product with a higher than mass-market product price but lower than luxury product. The European examples of these companies include: MARIMEKKO (Finish cloth/apparel company), Kosta boda (Swedish glass maker), Iittala (Finish glass maker).

## **3. International marketing strategy for Design-Driven companies**

Design-Driven companies in finding the optimal level of adaptation/standardisation can be described through the change of marketing mix.

Design products are similar to luxury brands. According to previous studies customers do not welcome high-end tailoring of fashion brands for their country (Fong 2010). However, in comparison to luxury products, the products of design-driven companies are less known outside the country of origin. Previous researches indicate that product adaptation can strengthen competitive positions (Hill and Still 1984) and help companies respond to segments that demand unique treatment (Simmonds 1985). Product adaptation is

conceptualized as the degree to which the product differs from that of the domestic and export markets (Lages et al. 2007). Competitive advantage of design-driven companies is built based on their uniqueness on the local market and is recognized by local consumers because of it. If any product change will be taking place, company distinctiveness might disappear, and therefore:

Proposition 1: Design-driven companies are more unlikely to adapt their product for foreign markets.

As for the other three parts of marketing mix, we believe that Design-Driven companies' product are similar to other products available in the market therefore we expect that the adaptation vs. standardization choice will be consistent with previous studies.

Pricing adaptation refers to the degree to which the pricing strategies for a product differ across national boundaries, for ex. product whole sale price, discounts/sales etc. (Lages et al. 2007). Levitt (1983) indicates that price is probably the marketing mix element that is most difficult to standardize because of the firm's long-term need to recover full costs. While mandatory adaptation may be needed to comply with local marketplace realities such as government regulations and legislation, international pricing strategy customization should involve a thorough analysis of these and other differences between home and host markets (Hill and Still 1984).

Distribution adaptation reflects the adjustment of distribution to the export market (Lages et al. 2007). While conventional wisdom is that channels of distribution fall mostly into the high standardization category, similarity of distribution decisions from country to country has been more accidental than intentional simply because there may be only one sensible way in which products can be distributed (Sorenson and Weichman 1975). Results of Power and Loyka (2010) recent research on adaptation of marketing mix has shown that the greatest level of adaptation takes place in distribution, followed by price, promotion and product. According to the results by Theodisiou and Leonidou (2003) distribution seemed to be most adapted from various four marketing mix elements. Comparing three marketing mix elements, e.g. Boddewyn and Grosse (1995) found that pricing and distribution were much more adapted than promotional tools.

Promotion adaptation is defined as the adjustment of the domestic promotional program to the export market (Lages et al. 2007). Promotion content is largely culturally driven (Powers and Loyka 2010), therefore adaptation is often necessary in international markets. While in many respects markets may be similar enough to use a uniform style of advertising message, the dangers of going too far with standardization remain due to persistent national prejudices (Elinder 1961).

Proposition 2: Design-driven companies are more likely to adapt price, promotion and distribution channels for foreign markets.

We believe that the propositions can be empirically tested, and the findings of the study would be useful for academics, marketers, advertisements and business managers.

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