Adaptation of marketing tools in retail companies

Abstract. In today’s highly competitive environment under the conditions of internationalisation and globalisation of trade, retail companies have to know the overall characteristics and culture of different countries, consumer preferences, behaviour and many other facts. This knowledge allows the retailer to carry out proper and effective decisions on adaptation and standardisation of the application of strategies, thus ensuring the successful expansion and activity abroad. This paper deals with the explanation of the need and importance of adaptation of marketing tools in retail companies. The quantitative survey was realised in 2015 among 25 retail companies operating in at least two countries of the European single market. The participants in the survey were the marketing managers or CEOs of these companies in each respective country, 364 questionnaires were distributed. Based on the results of the survey, we define attitudes of retail companies and stakeholders on this matter, the factors leading to the adaptation and standardisation of various marketing strategies and the impact of the adaptation of these strategies on retail sales. The achieved average values of the responses show that the price of the required margins, sales promotions and applied discounts are the most adapted marketing factors in the studied companies.

Keywords: Retail; Marketing; Marketing Strategies; Adaptation; Standardisation

JEL Classification: M19; M31; F23

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1. Introduction

In the current times of great changes, consumer uncertainty and the uncertain economic conditions result in the fact that even multinational retail companies deal with the question of applying the global standardisation or international adaptation. The history of these notions dates back to the development of economic theories, when each country or company had to deal with deciding on which companies and products could be effectively enforced in foreign markets and what parameters of the products would be manufactured and exported to different countries. Adaptation and standardisation can be generally defined as the basic approach of using effective international marketing program for all international markets while respecting the basic aspects of local and national conditions of each country. This strategy, also known as a mixed one, reflects a combination of global and multinational strategies. It allows using global knowledge and experience, which leads to an effective interconnection of global competitiveness, multinational flexibility and ability to learn. Individual foreign branches of retail companies are interconnected and have differentiated roles and responsibilities.

The decision regarding the scope of standardisation or adaptation is among the most difficult and crucial decisions that a company has to make. The use of these approaches affects all operating processes, and thus the overall strategy and the whole system of management. Despite the fact that globalisation is most visible in the standardisation approach, it is necessary to realise that globalisation, as well as global marketing and management, is not synonymous with standardisation.

According to Keegan and Green (2006) [7], in order to provide successful operation of retail companies in foreign markets, it is essential “to find a balance between the standardised approach to the marketing mix and the localised approach (adaptation) that is sensitive to national or regional differences”. In the case of retail companies, it regards, for example, the decision in the context of the marketing mix or retail mix respectively. In this context, we consider management of marketing programs (marketing mixes) as local, which can be defined as a set of activities within marketing tools allowing the retail companies to achieve their marketing goals in the domestic and foreign markets. A marketing program is part of the overall company’s strategy and contains specific activities for each part of the marketing strategy including activities aimed at the selection of a target market, the analysis of concurrence and market research.

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adaptation were treated by Kotler and Keller (2013) [4] in their world-known publication *Marketing Management*. They classified the possibilities and the range typology of these approaches in different elements of marketing mix and added examples of the processes applied in practice. The adaptation process of different elements of marketing mix, including different strategies and management programs, results from the need to respect the differences and the need to adapt to the local market. The initial theoretical basis for such promotion of intercultural marketing and management are the macro-environment of different countries, language limitations, educational level or different regulatory measures. Sands defined the notion of adaptation as the use of different strategies which do not have any common elements in his article *Can you standardise international marketing strategy?* [9]. Badura with the issue of optimal management styles that a marketing manager should use in the process of market globalisation in his paper *Marketing manager and the management styles used in the process of market globalisation* deals [10]. The difference between markets, as well as the similarity of certain factors and the international marketing strategies and management programs were discussed by Czinkota and Ronkainen in the 10th edition of their publication *International Marketing* [11]. If a company operates in many foreign markets, such adaptation can be too costly and ineffective. Among the authors who prefer the use of both standardisation and adaptation, we mention Kim and Mauborgne who in their study entitled *Cross-cultural strategies consider the simultaneous application of both the approaches necessary for ensuring competitiveness* [12]. According to Czech author Machková (2002), the recent trend consists in maximal effort of using the standardised processes which are adapted to the local conditions [13]. The integration of the above mentioned approaches to the operation in foreign markets was discussed by Vrontis in 2003 in his study *Integrating adaptation and standardization in international marketing* [14]. Given that it is important and comprehensive to correctly determine the degree of standardisation and adaptation of different processes and elements of applied strategies, the multinational companies have to take in consideration not only all the elements of the marketing mix in regard to their management, but also the factors influencing and encouraging the standardisation and adaptation approaches. The extreme use of one approach or another can cause an unsuccessful expansion to the foreign markets.

3. Purpose

The purpose of this paper is to explain the need and importance of the adaptation of marketing tools by examining the most successful retail companies in the European single market, as well as clarification of the various factors that lead to the implementation of approaches of adaptation and standardisation.

4. Results

The survey was conducted in the most successful (referred to as TOP 10) European retail companies according to the Global Powers of Retailing 2015 by Deloitte. The quantitative survey allowed gathering more data on the European single market countries which were not otherwise available. The advantage of such a survey is the possibility of generalising the results for other retail companies, as well as its objectivity. To acquire the relevant information, we used purposive sampling, i.e. we contacted the respondents in order to achieve the stated research objectives. Those were the representatives of each company according to their organisational structure (marketing managers, marketing directors or CEOs). In the survey, the participants were marketing managers or CEOs of the abovementioned retail companies in three product sectors, namely fast-moving consumer goods (20.5%), hard-line and leisure goods (26.0%) and diversified retailers (53.4%). Within the questionnaire distributed to all countries of the single European market, we subsequently identify the country of operation of each participating company. Based on the classification of each country in the respective socio-cultural zones, their percentage of representation in our survey was the following:

- Anglo-Saxon countries - the United Kingdom and Ireland (2.7%);
- Southeast Europe - Bulgaria, Cyprus, Greece, Croatia and Romania (18%);
- Baltic countries - Estonia, Latvia and Lithuania (4.1%);
- Mediterranean countries - Malta, Portugal, Spain and Italy (13.7%);
- Central Europe - the Czech Republic, Hungary, Poland, Slovakia and Slovenia (32.7%);
- Scandinavian countries - Sweden (1.4%);
- Western Europe - Belgium, France, Netherlands, Luxemburg, Denmark and Austria (27.4%).

Since any of the companies operating in Denmark, Ireland, Malta, and Sweden participated in the survey, the final number of the countries surveyed European single market was 24. Within the studied companies, we distinguished whether it was a parent company (8.2%), a subsidiary (72.6%) or a franchise (19.2%). In connection with the type of management used by the investigated companies, we identified the companies with centralised (24.7%) and decentralised management (75.3%). At the beginning of the survey, we focused on determining the attitudes of the respondents compared to the approaches applied by the retail companies in the related fields. We proposed the statements concerning the need to adjust the strategies, the need to delegate decision competences and responsibilities, and the need to adjust the adaptation activities to the competitors. We studied those statements from two points of view - the attitudes of respondents concerning the importance of those activities and the approaches applied by the retail company of each of the respondents. The statements were evaluated using the seven-degree Likert scale where the degree 1 represented the strong disagreement and the degree 7 represented the strong agreement of the respondent. In the next step, we determined the mean values of the answers. The mean value superior to 4 represented the agreement of a respondent with the related statement.

The respondents expressed nearly the unambiguous consent (5.67) with the statement concerning the need to adjust the marketing strategies to the conditions of different countries. They also agreed with the statement that their retail company did adapt those activities (5.27). The respondents were less convinced about the need to delegating the decision competences and responsibilities to individual foreign branches (4.89) while the respondents thought it was necessary to follow the adaptation activities to a greater extent. On the other hand, the respondents thought it was necessary to follow the adaptation activities of the competitors (5.08), while the results of the analysis showed that the respondents’ retail companies did that to a lesser extent (4.37). Based on stated mean values, we can say that the respondents expressed their agreement with all the statements and the divergences between their attitudes and the approach applied by their retail company were not significant.

Despite the respondents’ overall agreement with the statements based on the calculated mean values, in the next step we tested the relation between the attitudes of respondents to the proposed statements and the approach applied by their retail company (Table 1). By using the Wilcoxon signed-rank test, we found out that the p-value was inferior.

<table>
<thead>
<tr>
<th>Ho</th>
<th>Median difference between Views of respondent and Approach of retailer</th>
<th>p-value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The need to adapt the marketing strategies to the specific conditions of individual countries</td>
<td>0.000</td>
<td>Reject</td>
</tr>
<tr>
<td>2.</td>
<td>The need to delegate the decision competences and responsibilities to individual foreign branches</td>
<td>0.037</td>
<td>Reject</td>
</tr>
<tr>
<td>3.</td>
<td>The need to adjust the adaptation activities with regard to the competitors</td>
<td>0.000</td>
<td>Reject</td>
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Source: Own survey
to 0.05 in all of the cases, which means that the null hypothesis is rejected and in all of the studied cases there was a discrepancy in the opinion of the respondent and the approach applied by his/her retail company.

Based on the analysis, we concluded that there was a contradiction between the views of the respondents in statements concerning the need to adjust marketing activities to the conditions of each country, the need to delegate decision competencies and responsibilities to various foreign branches, as well as the need to adjust the adaptation activities of competitors, on the one hand, and the approaches implemented by the studied retail companies, on the other hand. In general, the respondents expressed a consent with the abovementioned statements. A more detailed analysis has revealed some differences within the sample. Given that the studied retail companies are the most successful organisations in the world market, as well as in the European market, we can conclude that the application of the adaptation approach and the related processes are implemented in accordance with market requirements and the set objectives. However, such a contradiction is not in line with the development of corporate culture of maintaining positive relationships within the organisational structure.

In connection to the application of the adaptation approach in different countries, it is necessary to identify the factors leading to the decision of retail companies on enforcing this approach. The results of the conducted research show that the main basis for the decision of retail companies on the adaptation approach are the preferences and needs of consumers (100%). Given that such an option is selected by all the respondents, we conclude that the retail companies enforce the effort of convergence with the customers' demands in their strategies. As stated by Badura (2002) [15], the short-term goal in marketing activities is to achieve sale success. However, the sale is only the first step, because by using the product the customer will ask himself whether he is satisfied with the product or not. If he responds affirmatively to this question, he will be inclined to choose the product again and make next purchase (either actively or passively he will continue to recommend the product further).

So the customer can become a permanent buyer and would not consider offers of other competitors. The results of our survey also show that the adaptation activities of the retail companies are affected in a significant way by the economic environment (87.7%), market development (72.6%), legislation (68.3%), competition (65.8%), whereas the cultural environment (50.8%), the availability of information and communication technologies (43.8%), the technological impact (9.6%) and the natural environment (8.2%).

In the same way, we determined the influence of the proposed factors on the decision on the application of the standardisation approach. The obtained answers show that the retail companies decide to apply this approach mainly because of the emerging global unification and their global image (83.6%). A smaller percentage of companies decide on standardisation in order to decrease the time necessary for either the expansion or easier coordination and control (53.4%). Other factors influencing the decision of the respondents on applying the standardisation approach are the economies of scale in the production and distribution (43.8%), the decrease in the marketing costs (34.2%), the transfer of know-how and efficiency (32.9%) and, finally, the unification of consumer needs (26.0%).

Based on the presented results, it is obvious that the decision on applying the standardisation and adaptation approaches is influenced by a combination of multiple factors of the external microenvironment and macroenvironment. It is interesting to note that the determined degree of the influence of consumers' needs and preferences impacts the decision on applying the adaptation approach. Despite the fact that all of the studied retail companies designated this factor as determining the results, the conducted research showed that most of the factors influencing marketing strategies under the conditions of the single European market are standardised by them. In this case, there is a question whether the retail companies choose to standardise the European consumer under the conditions of the single European market. If we confirmed this option, there would be another paradox - a low percentage of unification of consumer needs (26%) as a factor leading to the standardisation according to the respondents' answers. The results of the survey lead us to claim that if the retail companies perceive the consumer as a European consumer, they should designate the unification of consumer needs as one of the most important factors leading to standardisation. According to Čihovská and Čihovsky (2011) [16], we can perceive the European consumer as a global and a local one. European consumers display similar patterns in buying behaviour, however their main features may differ in some fields. Managers of retail companies realize the importance of emphasizing the adaptation approach, and it is therefore appropriate to focus on the identification of specific factors determining the adaptation of marketing tools and the extent to which the approach is applied. The respondents evaluated the factors on the seven-degree Likert scale, where the degree 1 indicated the standardisation and the degree 7 indicated the adaptation of the related factor by the retail company. Similarly to the first part of the paper, the results were evaluated by using the mean values. It means that the mean value superior to 4 represents the adaptation of the related factor by the retail companies. Based on the achieved averages determined by the respondents, we can conclude that the following factors of pricing as generally adapted by retail companies: the price of private labels (4.99), the price of the standard assortment (5.12), the price of the provided services (4.95), the price positioning (4.47), the required margins (5.27), the applied discounts (5.79). According to the obtained results, the following factors are considered to have been adapted by the retail companies: advertising (5.0), sales promotions (5.52), personal sales (4.49), public relations (5.15), direct marketing (4.66) and in-store communication (4.62).

In the same way, it is possible to determine the factors of marketing tools generally standardized in each of the served markets by product assortment: assortment of private labels (2.92), packaging of private labels (2.59), quality/composition of private labels (2.05), branding of private labels (2.01), used raw materials and ingredients (1.58), width of the standard assortment (3.41), quality/composition of standard assortment (3.60), procurement processes of assortment (2.53), category manager, manager (2.95). With regard to distribution, the following factors are adapted: requirements on the localisation of stores (3.36), distribution channels (3.35), suppliers (3.40), logistics (3.33), inventory management (3.49). With regard to promotion, the following factors are adapted: communication of the retail brand (3.82) and merchandising (3.51).

By adapting different marketing tools, companies react, on the one hand, to the preferences and needs of consumers, economic and cultural environment and other important factors, however, on the other hand, they try to increase their profits and market share. In another part of the survey, we therefore focused on determining the impact of the adaptation on the decision competencies and responsibilities. The respondents evaluated the following factors as generally adapted by the retail companies: advertising (5.0), sales promotions (5.52), personal sales (4.49), public relations (5.15), direct marketing (4.66) and in-store communication (4.62).

The average of the responses from the studied retail companies shows that the adaptation of the product strategy enhances their retail sales harder (5.27). According to the analysed data, the offer of regional products that can be regarded as a particular form of both the product strategy and the distribution strategy, which increases retail sales at a lower rate (4.23). This means that in the context of adapting their product strategy, retail companies are therefore focusing not only on the offer of local products which, based on the results of the survey, does not increase retail sales significantly, but also on other factors of impacting the assortment (for example, the width of product assortment, packaging of private labels, procurement price)
of the assortment). According to the studied retail companies, the adaptation of pricing strategies increases their retail sales even more (5.73). On the contrary, the average of the responses (3.99) shows that the respondents disagree with the statement that the adaptation of the distribution strategy increases the retail sales of the surveyed retail companies. Generally, the respondents agreed that the adaptation of the communication strategy increased the retail sales of the retail companies (6.21). It should be noted that all of the strategies encompass a number of different factors, some of which can be adapted or standardised despite the respondents’ agreement or disagreement with the statements.

Based on the quantitative survey, we have also found that the factors of assortment, thus the factors of the product strategy, are to a certain extent significantly standardised. However, this finding, especially in the case of FMCG retail companies, does not correspond to the developed activities aimed at supporting local production, not only in our country but also in other countries of the single European market. The philosophy and way of buying of different companies are also important for the assortment strategy. Given that multinational retail companies often buy a whole product assortment for the entire served market or for multiple countries, the regional level is not so attractive for them.

5. Conclusions

Based on the presented results and findings, we can make a qualified estimate of the future development of the analysed factors underlining the adaptation and standardisation of the studied factors of retail management. Given that the single European market is characterised by different types of economic environment and different purchasing power even within national markets of individual countries, it is likely that the factor of price will continue to be one of the most adapted factors. The same approach will be applied when deciding on communication factors, the adaptation of which results from the different cultures, customs and traditions of consumers in different countries of the European market. We expect that the communication of the importance of national markets and the promotion of local production will take a certain period of time. However, in the conditions of declining the share of local products on the offer of multinational retail companies, this trend will be weakened in the future, especially for retailers.

References