Prerequisites and Outcomes of Glocalization of Marketing Strategies by International Retailers: the Case Study of IKEA and Home Depot in China

Student
Ilaria Vergassola- 694161
Research Advisor
Prof. Marco Mazzu’

Co-Supervisor:
Prof. Michele Costabile

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To my grandparents, for all the love and the support they have always given to me.

To my parents, to whom I owe everything I am, and I do.

To my brother, the one I love the most.

To everyone among family and friends who never left my side.

To myself, because I have learnt that no matter what life gives you, you give more back.
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Abstract

During the last decades, the international retailers’ marketing strategies have been characterized by the event of globalization, that led to offer a standardized and homogenous marketing mix (Product, Price, Place, Promotion) to different markets all over the world. Nonetheless, adapting to specific needs and preferences, respecting the local socio-economic aspects and tailoring to the peculiar characteristics of the target market have become an indispensable challenge an international retailer must face in order to stay competitive. The compromise between globalization and localization is known by the scholars as “glocalization”. Thus, this research is going to present the prerequisites and outcomes of the glocalization of marketing strategies by international retailers through the study of the theoretical framework concerning this topic and the illustration, evaluation and analysis by comparison of a double case study of two prominent and relevant international retailers entering the largest retail market in the world: China.
Introduction

Prior researches advocated that the compromise between globalization and localization is known as “glocalization”. However, still poor studies have been conducted about the ways through which international retailers decide to conduct the glocalization of their marketing strategies when in a foreign country. In order to succeed when they try to penetrate a market with a totally different culture, the question is whether they need to pursue their global marketing strategies, give up on them in favour of local marketing strategies or adopt the mix of the glocal marketing strategies.

Currently, what comes from both extant literature about international business strategies both the analysis of several real case studies seems to point out that glocalization is for sure impending and vital. Given this, however, questions have been raised. If a multinational retailer has to consider the glocalization of its marketing strategies, what are the needed requirements to conduct them and to what results are they leading to?

This paper, “Prerequisites and outcomes of glocalization of marketing strategies by international retailers: the case study of IKEA and Home Depot in China”, has been conducted in order to investigate this complex topic and fill this gap.

In particular, the object of this paper is about the glocalization of marketing strategies, while, focusing on the subject, this analysis takes into consideration the glocalization of marketing strategies by international retailers. For this reason, the research question the paper is aiming to answer is “What are the prerequisites and outcomes of marketing strategies operated by international retailers providing a global offer while taking local-related needs into account?”.

For the sake of the research, the overall goal of the study can be decomposed into different tasks: the review of the ontology of strategic marketing glocalization theory
development and the analysis of a double case study as example. In fact, the paper is going to illustrate, evaluate and compare the case of IKEA and Home Depot conducting the glocalization of marketing strategies in China. In this regard, the understanding of how IKEA managed to be successful and Home Depot failed in establishing glocal marketing strategies in China, might be not only useful to fulfil the purpose of this paper and answering the research question, but also contributing greatly to the already existing academic material about glocal marketing strategies used by international retailers.

These case studies have been chosen because IKEA and Home Depot are worldwide strong and relevant international retailers, competing in the same industry sector of the home-improvement retailing and both attempting to enter the Chinese market, which is prospected to grow into the largest retail market on the globe in 2019.

The chosen methodology to analyse the Chinese retail market has been the PESTEL Analysis. While a SWOT Analysis and a Marketing Mix (4Ps) Analysis have been conducted for both of the two international retailers taken into consideration, IKEA and Home Depot, in order to compare the results, answer the research question and present the findings of this paper.

The literature review, examined in the first chapters, has been conducted as follows. The first paragraph is dedicated to the definition the concept of glocalization of marketing strategies, in its notion and essence, and to the presentation of glocalization applied to the Marketing mix (4Ps) analysis (Product, Price, Place, Promotion). Then, the paper continues through a review of key theoretical concepts, illustrating the main theories in favour and against global and local marketing strategies, therefore concluding the paragraph with an insight about theories concerning glocal marketing. To conclude the first chapter, the literature review continues examining glocal marketing strategies theories applied in the international retail and the limitation of the theories about these strategies operated by international retailers.

Then, the paper continues through the research methodology, analysing the case study of IKEA and Home Depot in China. In the first paragraph, a study of Chinese retail market is conducted, first presenting a general overview of the Chinese economy and the retail industry and then going deeper through a specific PESTEL analysis. Finally, in the second and third paragraphs of this chapter, a company overview, a SWOT Analysis and Marketing Mix (4Ps)
Analysis and study of the marketing entry strategy in China have been conducted for both the international retailers, IKEA and Home Depot, in order to examine and compare their glocalization of marketing strategies in the Asian country.

Therefore, the third and last chapter of this paper begins with comparison between the two case studies about the glocalization of their marketing strategies and the illustration of the prerequisites, outcomes and main research findings, which are illustrated and discussed in the second paragraph. At the end, the last paragraph before the conclusion has the role to state the limitations of the study, even given the contribution it gave, and recommendations for future research.
1. Literature Review: Ontology of strategic marketing
glocalization theory development

1.1 The notion and the essence of glocalization of marketing strategies

1.1.1 Defining the concept of “glocalization”

The word “glocalization” was born in the Japanese language (dockakuka) during the 1980s. In fact, “do”, “chaku” and “ka” in Japanese get individually the meaning of “land”, “arrive” and “process of” in English language. Afterwards, this term was translated to English language by the sociologist Roland Robertson and elaborated again by the sociologist Zygmunt Bauman. The translation and elaboration of the word perfectly express the concept of the adaptation of globalization to the local dimension; studying, in this way, the relationship with the international environment. In 1997, Robertson defined the meaning of the word “glocalization” and he got the credit of being the first one to use this specific word to express the concept of simultaneity of both universalizing and particularizing tendencies. (Ball, 2003)

“The world had changed, and we had not. The world was demanding greater flexibility, responsiveness and local sensitivity, while we were further consolidating decision making and standardizing our practices. The next big evolutionary step of ‘going global’ now has to be ‘going local’” (Ball, 2003).

Literally, glocalization is the combination of the words “globalization” and “localization” and it is meant to describe products or services developed and distributed globally but adjusted to meet clients in a local market. Indeed, “glocalization” is linked to the generation or the distribution of products and services made for global or international markets.

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1 Roland Robertson (born 1938) is a sociologist and theorist of globalization who lectures at the University of Aberdeen in Scotland, United Kingdom. Zygmunt Bauman was a Polish sociologist and philosopher. (Wikipedia)
but modified according to the local culture. Taking into consideration a particular product or service, globalization assumes the meaning of adaptation of global products and services into local markets. The concept, indeed, is that a global product or service, ideated as something that potentially can be needed by anyone with no differences, can instead be made-to-measure to properly fit local laws, customs, traditions or personal preferences. For this reason, “glocalized” products can mean much greater interest to the final user.\textsuperscript{2} (Grigorescu and Zaif, 2010, pp. 70-74)

“Global” and “local” terms are also explained as two different sides of the same coin. The understanding of a multinational company can come easier through the analysis of the dual nature if its glocalization. Glocalization begins its analysis from simple systems to arrive to complex ones, while globalization gives priority to complex systems, ignoring often the smaller systems’ implications. For this reason, it is said that glocalization considers the sub-system, but never forgetting about its relationship with the macro-system. For sure, the concept of glocalization can be explained by different definitions, for instance: “the dynamics between cultural homogenization and heterogenization, co-optation of the global and the local act.” (Robertson, 1995)

The main difference with globalization is that glocalization instead shifts the focus on particular details of a global idea. (Hollensen, 2011)
Figure 1: Think Global, Act Local

Source: Hollensen, 2011

The question now is: “for which kind of companies does glocalization works for?”

The answer is that it works for companies with decentralized authority structures and that already exist and compete in more than one cultural environment. From one side, the process of glocalization can be certainly seen as expensive and resource intensive, but from another point of view it pays off for companies that choose it, because it allows broader access to a bigger and culturally differentiated target market. In order for campaigns to be effective, they must involve culturally and sociable media to help foreign products to be accepted among local population of customers. Sometimes, instead, the process of glocalization can bring negative consequences to smaller businesses fighting for a position in the competition with corporations characterized by low costs of production.

“Think global, act local”, this is the synthesis of the glocal concept, which emphasizes the international dynamics of interaction between different populations, cultures and markets, and the concept of local, which instead shifts the focus on the peculiarities and the specific features of the context in which the multinational company would like to operate.
The concept of glocalization can be well related to the marketing dynamics of multinational companies, often accused of ignoring or not considering enough the cultural differences on a local scale. Through the glocalization, multinational companies can focus on the presentation and promotion of their products and services based on the common cultural belonging. (William, 2016)

A current issue for global realities is to face the decision of which one among marketing strategies should be the best one to embrace. According to Kotler (2009), the aim pursued by operating global strategies is to boost standardization, homogenization and integration of marketing operations worldwide.

Anyway, there are some challenges global marketers have to face, like divergencies in the monetary, industrial, civil, legislative and educational context across the globe. Theoretically, the idea of standardizing marketing operations performs on a key point of view, but in the majority of the cases it is not proper for the variety of details needed, operatively and tactically speaking. For this reason, marketing campaigns are in average more advantageous when tailored to local conditions and circumstances in the host market, so that a total marketing strategy is not the best one if it doesn’t consider also locally related issues. The first thing marketers must understand is if and how their business is suitable for customers and individual countries’ needs (Kotler, 2009).
1.1.2 Defining the concept of “marketing strategies”

The ideas at the basis of marketing are represented by customer’s needs, values and wants; as well as the offer, the communication and the relationships created. The concept of marketing is related to the scope of long-term operations though which a business can achieve a competitive advantage, by meeting the clients’ needs and the stakeholders’ wants. When the company’s will is to stay competitive in a global market for a long period, marketing activities become crucial to their aim and the need to set a clear marketing strategy from the very beginning. Indeed, the process doesn’t finish with the choice of the most appropriate marketing strategy, because once the company perform it, becomes essential to monitor and evaluate the performance effectively, and accordingly adjust it to the market development. (Anderson, 1982)

“Marketing is a management function responsible for identifying, anticipating and satisfying customer requirements profitably” (Isoraite, 2009). Then, strategic marketing includes a range of methods suitable for this topic, like research, product development, pricing, packaging, sales and promotion, as, public relations, distribution and service operated once the sales has been done. Therefore, a marketing strategy can be basically thought as the expression of strategic marketing ideas, that academics and scholars have been defined and analysed throughout the years. The following table (1) shows the development in the most relevant definitions of strategic marketing by different authors from 1982 to 2008.
Table 1: Marketing strategies in the concepts of scientific literature

<table>
<thead>
<tr>
<th>Author</th>
<th>Definition of strategic marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Electric Organization (1952)</td>
<td>Marketing is a philosophy that encourages the organization to ensure that the needs and wants of customers in selected target markets are reflected in all its actions and activities while recognizing constraints imposed by society. This marketing concept first received formal recognition in 1952 by one of its leading exponents, the General Electric Organization. The marketing concept: . . . introduces the marketing man at the beginning rather than at the end of the production cycle and integrates marketing into each phase of business. . . . marketing establishes . . . for the engineer, the design and manufacturing man, what the customer wants in a given product, what price he is willing to pay and where and when it will be wanted. Marketing will have authority in product planning, production scheduling and inventory control, as well as in sales distribution or servicing of the product.</td>
</tr>
<tr>
<td>Anderson (1982)</td>
<td>The real lesson of a strategic marketing philosophy is that better performing organizations recognize the basic and enduring nature of the customer needs they are attempting to satisfy. It is the technology of want satisfaction which is transitory. The products and services used to satisfy customer needs and wants change constantly.</td>
</tr>
<tr>
<td>Ingman (1992)</td>
<td>According to Ingman (1992), strategic marketing is one of the functional strategies that together constitute an overall business strategy. However, the importance of marketing strategy is very high over all business strategy, because of control of key marketing relationships with organizations outside of the support functions – delivery of the goods to the market and sales.</td>
</tr>
<tr>
<td>Buttle (1993)</td>
<td>Marketing strategy – the overall (corporate and marketing) action program, including all elements of marketing complex in order to clarify undertaking to set goals and objectives. This is a logical continuation of the business plan that combines a number of interrelated decisions.</td>
</tr>
<tr>
<td>Doyle (2000)</td>
<td>Strategic marketing is the management process that seeks to maximize returns to shareholders by creating a competitive advantage in providing, communicating and delivering value to customers thereby developing a long-term relationship with them. The specific contribution of marketing in the organization lies in the formulation of strategies to choose the right customer, build relationships of trust with them and create a competitive advantage. A marketing strategy consists of an internally integrated but externally focused set of choices about how the organization addresses its customers in the context of a competitive environment.</td>
</tr>
<tr>
<td>Hambrick and Fredrickson (2001)</td>
<td>Marketing strategy has five elements: it deals with where the organization plans to be active; how it will get there; how it will succeed in the marketplace; what the speed and sequence of moves will be; and how the organization will obtain profits.</td>
</tr>
<tr>
<td>Kotler (2003)</td>
<td>Marketing strategy is marketing logic according to which the business unit is marketing. Marketing strategy focuses on target customers. The company chooses a market, divide it into segments, select the most viable ones and consolidates its force in the service segment. The company creates a marketing mix, using the tools at its disposal: product, price, distribution, sales support. In order to establish the best marketing mix and be able to take appropriate action, the company performs marketing analysis of marketing plans and carries them out. It carries out these activities by monitoring the environment and adapting to it.</td>
</tr>
</tbody>
</table>
For sure, marketing strategies are in the majority of cases one of the most important factors for the business performance, as it is crucial to reach the goals that the firm has set and also to manage operations in a specialized and specific way. The conditions and aspects of the market usually have a big influence on marketing activities and how to set them to achieve the wanted results. For this reason, it is important to define the proper segment to enter into for a multinational company (Radulescu, 2012). Usually, the several industries a market can be divided into differ in the needs, demands, reaction to the marketing measures and profitability. That is why every segment require a specific and peculiar marketing strategy. According to Porter (1998) the strategy can be the answer to: which one is the long-term competitive advantage and how to create it. So, a marketing strategy is a strategic concept for the corporate governance, because without it the firm management can not be completely effective, as marketing is a part of top strategic management functions. (Virvilaite, 2009).

During the last decades, different classifications of marketing strategies have been done by literature and academic authors, finding its relevance in the fact that the selection of a kind of marketing strategy can influence the wholeness of the evaluation process. (Assael, 1995). The main distinction of marketing strategies found in the literature is:

- The main marketing strategy
- General competitive advantage in the acquisition strategy
- Strategies to compete under certain marketing share
- Marketing strategy for its intended market
- Positioning strategy
- Strategy of the complex marketing elements
Table 2: Classification of marketing strategies

<table>
<thead>
<tr>
<th>Marketing Strategy</th>
<th>Types of Marketing Strategies</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>The main marketing strategy</td>
<td>Deep penetration strategy (an old product – an old market)</td>
<td>This strategy is effective if the market is still unsaturated with products. When selling old products in the old market, the advantages can be achieved only by reducing costs of production and by selling goods at lower prices than competitors.</td>
</tr>
<tr>
<td></td>
<td>Market expansion strategy (an old product – a new market)</td>
<td>Applying this strategy, the company can increase sales of old products in new markets or available new market segments.</td>
</tr>
<tr>
<td></td>
<td>Trade creation (modification) strategy (new product – an old market)</td>
<td>Essence of this strategy: new product development for the old market.</td>
</tr>
<tr>
<td></td>
<td>Diversification strategy (new product – a new market)</td>
<td>The strategy is used to avoid the manufacturer’s dependence on one product or market.</td>
</tr>
<tr>
<td>General competitive advantage in the acquisition strategy</td>
<td>Expenditure leadership strategy</td>
<td>Through expenditure strategy, the company bases its activities on resources, which guarantees the lowest cost in industry in which it operates. The ability to efficiently manage resources allows the company to achieve the lowest operating costs in their field and at the same time to acquire the long-term competitive advantage.</td>
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<tr>
<td></td>
<td>Differentiation strategy</td>
<td>Applying the differentiation strategy, the company aims at uniqueness. In most cases it is intended to differentiate the company’s offered product so that it would be perceived by consumers as unique. The essence of differentiation is profit entity is to receive, creation of customer value, which is different and higher than that proposed by competitors.</td>
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<td></td>
<td>The concentration of the costs and the differentiation</td>
<td>In this case, the company focuses its efforts on any aspect of a restricted area of competition within the industry: consumer group, a specific product or specific geographic market. The objective is a market segment as well as serving it better than the competitors. Competitive advantage can be gained by reducing costs or increasing product differentiation. The company has reached a competitive advantage when competitors cannot serve target market equally well.</td>
</tr>
<tr>
<td>Competing strategies by market share</td>
<td>Market leader strategy</td>
<td>Usually one company is ahead of competitors and has taken the largest share of the market. This situation gives more freedom of choosing to compete against competitors in the targeted strategies. The market leader has more options than any other to increase market share, etc. That is, it attracts new customers or encourages existing customers to buy more, or more often. The market leader in advertising and other marketing activities to encourage consumers often chooses just the goods.</td>
</tr>
<tr>
<td></td>
<td>Market strategy for the actor</td>
<td>The main aim for the actor is to become a leader as soon as circumstances permit. Market actor is strong enough and has sufficient resources and expertise to become a leader. It may also increase market share by directly attacking the selected competitor (usually a leader).</td>
</tr>
<tr>
<td><strong>Market followers strategy</strong></td>
<td>Often, the market leader’s product or marketing action is copied by the market follower. The strategy is two-fold: some basic concepts and sequence of steps taken by market leader are copied, and everything related to the market leader in product and marketing activities is directly followed, trying to sell goods on behalf of the leadership. All market followers have one thing in common: they do not intend to occupy the leading position, but try to use the leader’s proven action in the market. Therefore, over time they are always a little behind, and the same strategy is passive, dependent on actions of market leader.</td>
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<tr>
<td><strong>Market niche strategy</strong></td>
<td>Market niche strategy is suitable in almost all markets. The primary goal of competing is to adapt to specific market segments of small consumers. Sales volume in the small target market usually is not large, but market niche filler often works very profitably. Market niche filler strategy is used by small businesses, as large companies are not very interested in small segments of the market and not trying to meet their distinctive needs.</td>
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<tr>
<td><strong>Marketing strategy for its intended market</strong></td>
<td><strong>Non-differentiated marketing strategy</strong> Non-differentiated marketing means that the enterprise markets as a homogeneous whole and expects the same reaction to marketing activities from all consumers. It may be that: a) a professional user will not notice the difference b) such differences are insignificant in offering specific products, c) the company does not have the means or desire to adapt to different needs.</td>
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<tr>
<td><strong>Differentiated marketing strategy</strong></td>
<td>In differentiated marketing, different market shares of the company are offered different things. Usually more or less all the elements of marketing complex are different: a different (often with a different name) product has a different price when sold in different places and in different ways; it is not so well advertised and offered.</td>
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<tr>
<td><strong>Concentrated marketing strategy</strong></td>
<td>Concentrated marketing has long been considered to be primarily the small businesses strategy, because they can “live” with relatively small market segments. The company’s success depends on the ability to identify and properly meet the specific needs of that segment.</td>
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<tr>
<td><strong>Positioning strategy</strong></td>
<td><strong>According to product use</strong> Positioning is a creative activity, therefore it is difficult to express it in a structured way. Positioning can be by product use, consumer goods, on the basis of direct comparison, etc. Positioning decisions cannot be made before the perspective, and in particular the strategy of competitors, is analyzed. Nor can those decisions be made before the selection of the target market, as provided for in the consumer segment of the properties owned and positioning opportunities. On the other hand, positioning strategy should be created before making decisions on specific elements of marketing complex.</td>
<td></td>
</tr>
<tr>
<td><strong>According to consumer goods</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>On the basis of direct comparison, and others</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strategy of the complex marketing elements</strong></td>
<td><strong>Product strategy</strong> In marketing with the complex element of “product”, strategic decisions are made in product mix, quality, and product names in use.</td>
<td></td>
</tr>
<tr>
<td><strong>Price strategy</strong></td>
<td>In marketing with the complex element of “price”, strategic decisions are made on new trade price (“penetration” and “picking” strategy), reduction of payment of the issues.</td>
<td></td>
</tr>
<tr>
<td><strong>Distribution strategy</strong></td>
<td>In marketing with the complex element of “distribution”, strategic decisions intensify distribution (exclusive, selective, intensive distribution strategy), distribution control system (system of ownership and control methods) issues.</td>
<td></td>
</tr>
<tr>
<td><strong>Support strategy</strong></td>
<td>In marketing with the complex element of “sponsorship”, strategic decisions are made in the choice of a common strategy in support (“push”, “pull” or mixed), budget allocation, the individual actions to promote the comparative values.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Isoraite, 2009
As for the strategic marketing planning process, it requires a compromise between short-period efficiency and long-period effectiveness (Baker, 2008). This strategic part of the marketing planning found its basis on crucial means of measuring through which reach the planning goals, opening the way to markets and the use of marketing programs that suits with the goals.

On the other side, tactical marketing planning is composed by the range of methods for strategic marketing planning. The plan can differ from company to company, sector to sector, market to market and so it can be a strategic plan if it looks at the long horizon of time, medium-term plans, if it is prospected to be operated within 5 years, and short-term, when it is calculated on a monthly or annual base. According to Pranulis (2000), the cycle concerning the marketing planning topic is:

- Strategic marketing plans,
- Tactical plans of the implementation of strategies,
- Tactical plans,
- Control of the results,
- Use of the results,
- Use of the results, preparation of a new strategic a tactical marketing plan

The same author explained that there’s a broadened framework acknowledged by literature, that is linked indeed to major factors of marketing:

- Selection of target market,
- Choice of position
- Choice of individual marketing mix elements for functional strategies
- Choice of competing policy
According to scientific literature, marketing management is systematically organized, and it embraces every corporate marketing activity concerning planning, implementation and control, as visible in Figure 2.

Figure 2: Scheme of marketing management process

Drawn with reference to Pranulis, 2008
1.1.3 Glocal marketing strategies: Marketing mix (4Ps) Analysis

After what has been analysed in the first paragraph, it is proper now to move the focus on marketing strategies suitable for businesses who want to operate globally. A multinational company has several options: to standardize or localize products, services or communication activities, or even put together both of them. So basically, the framework of marketing strategies varies from the extreme point of a global strategy (standardizing products, services and communication activities) to the other extreme point of a local scenario (personalizing products, services and communication activities). Halfway between these two extremes there are combined strategies, refined as “glocal strategies”. (Leon G Schiffman and Leslie Lazar Kanuk, 2009). Kotler pointed out some benefits of glocal marketing strategies:

- The adaptation of the brand to particular needs is highly appreciated by customers,

- Symmetry between the strategic and operative levels of the marketing operation

- Increase in brand equity and market share,

- Chance to optimise the local and global marketing together

Table 3: Standardized VS Localized Products/Communication

<table>
<thead>
<tr>
<th>Products/Communication</th>
<th>Standardized Communication</th>
<th>Localized Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Standardized Products</strong></td>
<td>Global Strategy: Homogenous Product / Homogenous Communication</td>
<td>Glocal Strategy: Homogenous Product / Tailored Communication</td>
</tr>
<tr>
<td><strong>Localized Products</strong></td>
<td>Glocal Strategy: Tailored Product / Homogenous Communication</td>
<td>Local Strategy: Tailored Product / Tailored Communication</td>
</tr>
</tbody>
</table>

Source: Dumitrescu and Simona, 2010
Looking at the previous table (1), it is easy to understand that a glocal strategy is the compromise of global and the local approaches mix.

Table 4: The Maxims for Local, Global and Glocal

<table>
<thead>
<tr>
<th>Local</th>
<th>“Thinking locally, acting locally”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>“Thinking globally, acting globally”</td>
</tr>
<tr>
<td>Glocal</td>
<td>“Thinking globally, acting locally”</td>
</tr>
</tbody>
</table>

Source: Dumitrescu and Simona, 2010

A strong glocal strategy summarizes at his best the global experience of a corporation and the customization and tailoring of what it offers in order to fit a new and different markets. And this concept doesn’t concern only product design or the way of communication, but also, when possible, all of the elements included into the marketing mix. The marketing mix (also known as the 4 Ps) is a foundation model. The marketing mix has been defined as the "set of marketing tools that the firm uses to pursue its marketing objectives in the target". In services marketing, an extended marketing mix is used, typically comprising 7 Ps, made up of the original 4 Ps extended by process, people, and physical evidence.

For a better understanding of what has been written so far, the following table (3) shows what distinguishes these three different kinds of approaches in marketing terms.
During the latest years the issue that managers from global firms worldwide are dealing with is the correct balance between the demands from the headquarters and the attention to the local branches. These are providing them with feedbacks from local preferences, local expertise and knowledge.

**Marketing mix (4ps) Analysis**

As reported by Armstrong and Kotler (2006), the analysis that concerns Product, Price, Place and Promotion is among significant concepts in nowadays marketing. The marketing mix is seen as the array of tactical marketing elements that a company can control and manage to get the aspired response in the target market. It is relevant to say that the 4Ps model (product,
price, place and promotion) is a framework for the business to design marketing campaigns more systematically and efficiently. (Goi, 2009)

In order to show glocal tactics and different detailed combinations of the marketing mix features, some examples considered also by Grigorescu and Zaif (2017).

*Product-based glocal strategies*

The first aspect to consider when conducting a marketing mix analysis is the product: the definition of such element implies a greater concept than just the material merchandise that the company is willing to launch to the target market.

McDonald’s, known as a leader brand business in embracing the globalization philosophy and approach, choose to operate its marketing campaigns through unique offer adapted to every state or culture, respecting and valuing tastes and traditions. Other examples of this kind are Fanta, Lay’s and Dunkin Donuts, that offer different flavours around the world to meet preferential local tastes. However, this marketing strategy doesn’t fit only in the food & beverage industry, the global telephone brand Nokia adapted its product to the necessities of the Indian market for example, or the multinational toy manufacturer Mattel created a Japanese Barbie doll exclusively for the Asian country.³

*Price-based glocal strategies*

In this case, a multinational company decides to play with the price to reach the mass customers in different countries, instead of modifying the product to meet local tastes. Price is literally defined as “the monetary quantity that one is willing to pay to have advantages from

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³ McDonald’s is an American fast food company, Fanta is a brand of fruit-flavored carbonated drinks created by The Coca-Cola Company and marketed globally, Lay’s is the name of a brand for a number of potato chip varieties, as well as the name of the company that founded the chip brand in the U.S. in 1932, Dunkin’ Donuts, currently rebranding its stores as Dunkin’, is an American multinational coffee company and quick service restaurant, Mattel, Inc. is an American multinational toy manufacturing company founded in 1945. Nokia Corporation is a Finnish multinational telecommunication, information technology and consumer electronics company
possessing or utilizing the product or service” (Cambridge Dictionary). The modification of the price is done by discounting or changing the payment period or credit system. For instance, KFC⁴ is considered a fast and cheap food chain in the US market, but in the Indian and Romanian ones it was considered expensive, compared to the local offer. That’s why the global brand decided to reduce the price and still place the offer as “high price”.

_Glocal promoting_

Promotion is also a mix of tools, as the marketing communication mix includes advertising, sales promotion, public relations, personal selling and direct-marketing means, which the firm operate for broadcasting its worth and attract customers creating loyalty.

Two examples of applying glocal promotion are Tesco, which decided to enter the US market under a different brand name, and Disneyland Hong Kong⁵, which successfully adjusted its promotion campaign to the local guests’ preferences and needs. (Matusitz, 2011)

_Distribution (Place)_

This part of the marketing mix is where actually the company activities take place and where they make the products available to the customers they have targeted. Channels, coverage, assortments, locations, inventory, transportation and logistics are all part of this section. Louis Vuitton, Yves Saint Laurent and H&M⁶ are examples of powerhouses that adopted glocal marketing strategies in the distribution phase of their value chain. This strategy concept is based on selling only in some specific areas or kind of stores; or creating limited edition lines that are going to be sold only in some countries or malls.

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⁴ Kentucky Fried Chicken is an American fast food restaurant chain that specializes in fried chicken

⁵ Tesco is a British multinational retailer and Disneyland Honk Kong is a theme park located on reclaimed land in Penny’s Bay, Lantau Island.

⁶ Louis Vuitton is a French fashion house and luxury retail company, Yves Saint Laurent is a French luxury fashion house and Hennes & Mauritz AB is a Swedish multinational clothing-retail company known for its fast-fashion clothing.
The purpose is for the company to integrate these four tools to communicate effectively with its customers. A good marketing program puts together harmoniously everyone among the marketing mix components, coordinating them in a plan to reach the desired goals and delivering value to customers (Armstrong and Kotler 2006). To conclude this first paragraph, it is right to say that glocalization shouldn’t be seen as a substitute of globalization, but as a tool that deliver original and exclusives insights to embody into the global marketing strategy. (Bekh, 2016)
1.2 Review of the recent studies relevant to glocalization of marketing strategies

1.2.1 Key theoretical concepts: Global VS Local marketing strategies theories

Previously, several scholars had identified two different aspects of globalization-standardization and localization-strategy. In 1986, Porter\(^7\) pointed out that in specific cases standardizing marketing brings to competitive advantages in support of the whole global strategy. One year later, Domzal\(^8\) summarized that the global model puts the focus on consumer analogies across geographic boarders, aiming at minimizing local differences and standardizing marketing strategies. More than ten years later, in 1998, Lewsi and Hennesey added that there are many benefits from standardizing marketing campaigns, products and promotions, that leads to a lower need for localized marketing. However, there are also some academics that agree with the local approach. Koepfler, for instance, stated that a global strategy should be elaborated according to the purpose of creating an offer tailored to the customs and linguistics of diverse industries. Another supporter of the local approach is Champy (1989), which stated that companies should give importance to the diversity of cultures.

On one side, scholars who embrace standardization said that “shared economic savings and the benefits of a shared global brand point towards the importance of a global approach” (Levitt, 1983\(^9\)). In 1983, Levitt wrote an article named The Globalization of Markets for the Harvard Business Review (a general management magazine published by Harvard Business Publishing, headquartered in Brighton), Massachusetts. where he indicated the birth of a modern and universal market, featured by standardized and homogenous offers to the customers. In this article, the scholar wrote also that multinational firms did not focus anymore on personalizing the offer, delivering instead worldwide uniform products which were low priced and functional. So, he was insisting on the concept of customers “convergence of tastes”. According to Levitt, the concept was that if a firm would have maintained costs and

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\(^7\) Michael Eugene Porter is an American academic known for his theories on economics, business strategy, and social causes.

\(^8\) Teresa J. Domzal is an American professor and scholar who has published many journals and articles on the subjects of marketing and advertising.

\(^9\) Levitt was an American economist and professor at Harvard Business School.
prices lower and pushed quality and fidelity up, customer would have preferred world-standardized products. Globalization was seen as the new paradigm in international business, increasing brand awareness, leading a higher quality perception and attracting potential customers. In 1989, Keegan mentioned two reasons why operating globalization of marketing activities: the first one is the benefit deriving from the opportunity to grow and expand, the other is simply to survive and remain competitive in a world who is going to become more and more “globalized”. Two years later Dharinger and Mulhbacher agreed that a global proposition is needed to reach concentration and coordination of marketing operations. (Grein, Gould, 2010)

However, although offering homogenous merchandise and value looked as an effective strategy, it was soon clear that global firms had differentiated responses of consumers from different countries. That happened because corporations didn’t consider the socio-economic factors and cultural peculiarities, which are very important aspects for a marketing strategy to be successful. So, as Douglas Daft\textsuperscript{10} said at the beginning of 2000s. “more adjustability, open-mindedness and local consciousness were demanded worldwide”. For this reason, opponents of global standardization support instead peculiarities of market conditions and the uniqueness of cultures. (Taylor, 1996). Local and domestic marketing aim mostly at the maximization of adaptation, looking for flexibility and tailoring to cultural differences. The reason is that this approach remarks the need to include locally-related issues in the marketing operations. One of the theories against globalization has been elaborated by Samuel Huntington\textsuperscript{11} in 1996. It is called “Clash of the Civilizations”\textsuperscript{12} theory and it condemn to have only one culture good for the whole world, because it will minimize the basics of other civilizations. According to him, future wars would be fought not between countries, but between cultures. It is true that globalization helped in making the world smaller and in connecting different and physically different civilizations, but according to Huntington, the consciousness arose by these interactions may lead to clashes and conflicts. There is also another theory, elaborated by Ritzer (2004), according to which the movement of “Grobalisation” is seen as the imperialism of nations or international firms that promote their values on other places in order to rise their income and market share through standardization and homogenization. (Douglas, 2003)

\textsuperscript{10} Douglas Daft is an Australian business man, currently a Corporate Director of Wal-Mart.

\textsuperscript{11} Samuel Huntington was an American political scientist, adviser and academic

\textsuperscript{12} Hypothesis that people’s cultural and religious identities will be the primary source of conflict in the post-Cold War world.
Summarizing, only one single culture is created by multinational thorough globalization and for the whole world, eliminating all the different ones worldwide. (Kolmakova, 2017)

At best, global marketing strategies can exist mainly considering a strategic dimension, because if the operative and tactical levels are also taken into account, then they are not realistic and possible to implement anymore.

That is because operative and tactical dimensions require precise and peculiar marketing activities to be included. At this point, the main dilemma scholars were trying to analyse is the decision between standardizing advertising operations in different countries or tailoring campaigns to specific local needs or either mixing both the approaches. Since it is demonstrated that people respond better to marketing messages consistent to their traditions and values, advertising should be set taking into account the reflexion of cultural environments of the target group. However, someone can argue that economies of scale require marketing campaigns to use groups as large as possible. In 1998, Tai and Wong discovered that in the US strategic issues were likely to be standardized, while tactical issues were more likely to be differentiated. (Shamsuddoha, 2008)

This led different scholars to find the solution in the combination between standardizing and adaption strategy. (Robertson, 2012)

**1.2.2 Theories about glocal marketing: an insight**

In academic terms, the word “glocalization” identifies the merger and association of the concepts of globalization and localization operations (Robertson, 1995; Svensson, 2001; Poe and Courter, 1997; Maynard, 2003).

Fiedman (1999) said that glocalization is “the ability of a culture, when it encounters other strong cultures, to absorb influences that naturally fit into and can enrich the culture, to resist those things that are truly alien, and to compartmentalize those things that, while different, can nevertheless be enjoyed and celebrated as different.”
Glocal marketing embodies ideals of total global marketing strategies and the awareness of taking into consideration marketing issues on a local level. According to Kotler (2009), to operate at the top on a global level, marketing managers have to act locally in the markets they decide to operate into; because the Head Quarters provides strategic direction while local establishments gives insight about local customers peculiarities. (Sinclair, Wilken, 2009)

Other authors tried to give a definition to a complex concept like the glocalization of marketing. Khondler, then, described it in 2004 as “the simultaneity-the co-presence- of both universalizing and particularizing tendencies” (Khondler 2004); Foglio together with Sranevicius (2007), connected the concept of glocalization:

- To a strategic combination of globalization and localization;

- To a tool to manage the entrance to a global/local market;

- To the ability to stay linked to the local environment when dealing with a global market;

- To a system that let the local or global firm to optimally operate into a local o global environment

At the beginning of the 2000s, Svensson, gave to the notion of glocal strategy, as the meaning of the mix between a global approach and the needs for local adaptation. This idea found its bases in recognizing the need for a balance between: “Standardization or adaptation, homogenization or tailoring, similarities or differences, concentration or diffusion, dependence or independence, synchronization or flexibility, and integration or separation of marketing activities” (Svensson, 2001).

The scholar individuated a range is between locally related issues concerning a worldwide strategy and globally related issues concerning local strategies. (Svensson, 2001, pp.574-583)

Maynard and Tian (2004) explained the phenomenon of glocalization as the approach where companies operating worldwide adjust its offer to fit precise local characteristics to suit differences in consumer demand.
It is agreed that the glocal strategy approach differs from the global one because it clearly highlights the meaning of local adaptations in the context of economic operations of a market. (Hall, 1991; Svensson, 2001).

For this reason, glocal marketing as the opposite to a global marketing process, is a combination on a scale of diverse levels, from local to global, trying to keep stable the equilibrium of global homogenization and local customization, being aware of how important is to adapt to local markets. (Robertson, 1995; Svensson, 2001; Maynard, 2003). So, the idea of glocal marketing approach is born to be a middle ground: the idea of a global marketing strategy meets the demand for local marketing matters at the same time. This concept embraces a range of local, domestic, international, multinational and global marketing activities; that is distinguished from the idea of pure universal marketing activities because gives credits to local features of marketing operations in the target market, comprising simultaneously typical international and multinational marketing activities. (Reshmi, 2004)

In conclusion, previous literature research defines the concept of glocal marketing as an approach that aim to maximize the symmetry of the local company’s marketing on every level: practical, diplomatic and decisive. As stated before in this paper, glocalization is basically “the compromise between standardization and adaptation, homogenization and tailoring, similarity and difference, synchronization and flexibility and integration and separation”. (Svensson, 2000).

The premise is that “if a company wants to compete with other competitors then the company has to be more global” (Ohmae, 1989). However, there is for sure a need for adaptation models and the firms has to be able to adapts its self and its features to different cultures, (Czinkota, 1995). So, it is right to sum up that in order to be global they need to be local. This concept is embodied by the mix of globalization and localization, created to pinpoint what is promoted and delivered on a global level and modified to fit at its best the consumer needs, preferences and customs in a local market (Shamsuddoha, 2008). If a multinational company wants to succeed, then it needs to develop a glocal strategy that combines global experiences and local tailored products, in order to consider the variables of marketing mix. (Dumitrescu and Simona, 2010)
Table 6: A positioning of the concept of glocal marketing

<table>
<thead>
<tr>
<th>Global Marketing aims at optimizing marketing activities in terms of</th>
<th>Local and domestic marketing aim at optimizing marketing activities in terms of</th>
<th>Glocal Marketing aims at optimizing marketing activities in terms of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standardization</td>
<td>Adaptation</td>
<td>Standardization vs Adaptation</td>
</tr>
<tr>
<td>Homogenization</td>
<td>Tailoring</td>
<td>Homogenization vs Tailoring</td>
</tr>
<tr>
<td>Similarity</td>
<td>Difference</td>
<td>Similarity vs Difference</td>
</tr>
<tr>
<td>Diffusion</td>
<td>Concentration</td>
<td>Concentration vs Diffusion</td>
</tr>
<tr>
<td>Dependence</td>
<td>Independence</td>
<td>Independence</td>
</tr>
<tr>
<td>Synchronization</td>
<td>Flexibility</td>
<td>Synchronization vs Flexibility</td>
</tr>
<tr>
<td>Integration</td>
<td>Separation</td>
<td>Integration vs Separation</td>
</tr>
</tbody>
</table>

Source: Grigorescu and Zaif, 2017
Table 7: Global marketing vs Glocal marketing

<table>
<thead>
<tr>
<th>Level of Marketing Activity</th>
<th>Operative</th>
<th>Tactical</th>
<th>Strategic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Marketing</td>
<td>NO</td>
<td>NO</td>
<td>YES/NO</td>
</tr>
<tr>
<td>Glocal Marketing</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
</tbody>
</table>

Scope of Marketing Activity

Local/Domestic
International/Multinational
Global

Source: Svennson, 2001
1.3 Analysis of gaps and imperfections pertinent to the current state of marketing strategies glocalization theory in the international retail

1.3.1 Glocal marketing theories in the international retail

“Retailers that do their business through an elevate level of universally homogenous operation with a vertical hierarchy between the Head Quarters and subdivisions” is the definition provided by Salmon and Tordiman (1989) in order to explain the concept of “global retailer”. Since how a global brand appeals it’s a fundamental aspect for global retailers, then the offer of a standardized retail mix proposed to several states becomes an important strategy. (Salmon and Tordiman, 1989). Even if sometimes they are used as synonyms, it is different the concept of “multinational retailers”, which can be defined as the ones who “adapt international operations with a horizontal hierarchy between Head Quarters and subdivisions, which prompts all units in the organization to exploit local opportunities independently” (Salmon and Tordiman, 1989). In this case, retailers are more prone to be flexible, to adapt to the local markets needs and to learn local practices.

According to the marketing literature, both standardization and adaptation features are crucial for an efficient internationalization and an achieved legitimacy in domestic and foreign countries. (Shoham, 2008). Moreover, up-to-date researches about international retail industry identified glocalization as the standardization of main products and the adaptation of marginal features researches and studies about business pointed subsidiaries as crucial embedded resources ready to give important insights and knowledge, which bring innovation and rapid growth. This phenomenon is even stronger when the difference between domestic and foreign markets is very wide. (Cui, Walsh, and Zou 2014; Luo 2001; Phene and Almeida 2008). According to Salmon and Tordiman (1989), global retailers choose standardization as a way to operate their business, perfectly replicating their concepts in other countries and considering markets as homogeneous, ignoring in however differences between them. It’s correct to say that in the past standardization helped global retailers to grow internationally and fast, but nowadays they have faced challenges threatening their business. In 2008, Evans identified the
reason leading to failure in the international retailing as the cultural differences that lead to change in consumption models. By acknowledging the limits of an international retailer, a mix of local and standardized strategies is embodied by glocal retail companies. Furthermore, this mix strategy, indeed, concerns both the standardization of the retail mix and both the adaptation of marginal features, aiming to keep a consistent brand image but also properly consider cultural differences. Anyway, glocalization comes from a top-down tactical direction, consolidating the core meaning of local environment for tailoring better one already existing global strategy to a local level. Considering Lyu and McCarhty theory (2015), the adapted marketing mixes are supposed to stay on a local level, not impacting on the global marketing mix. (Pielah, Jung and Leslie, 2017).

The use of the term “glocalization” in some disciplines like sociology or marketing, has been fulfilling the purpose to describe global retailing strategies in the Asian continent. Anyway, the desire to operate in several and diverse countries might require adaptation, adjustment or tailoring to get advantage from the culture or the local competition.

Table 8: Strategic orientation and direction of knowledge flow Standardization VS Adaptation

<table>
<thead>
<tr>
<th>Strategic orientation</th>
<th>Direction of knowledge flow</th>
<th>Top-down Knowledge Flow (Global to Local)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standardization</td>
<td>Bottom up knowledge flow (Local to Global)</td>
<td>Globalization (Global Retailers)</td>
</tr>
<tr>
<td>Adaptation</td>
<td>Localization (International Retailers)</td>
<td>Glocalization</td>
</tr>
</tbody>
</table>

Source: Pielah, Jung, Leslie, 2017
1.3.2 Limitations of the theories about glocal marketing operated by international retailers

For sure, prior literature has not focused enough on global retailers’ exploitation of different knowledge provided by several foreign sectors to implement an all-for-one retail mix. In deep, previous researches are limited to address the attention to the establishment of international retailers in the local market. The way through which global retailers operate has shift. The paper has already clarified that the limitation should be overcome by defining the meaningful information of foreign market subsidiaries’ cultural framework, combining the local knowledge to the global strategy and then updating the standardized global retail mix. In this way, profiteering of local expertise is achieved not threatening the main concepts of global retailing and standardization. The Head Quarters in the domestic countries get useful information from the subsidiaries established in the foreign countries and elaborate them in a way to lead to the evolution of a dynamic and innovative retail mix. (Chimona, and Sibanda, 2013)

Moreover, the academic literature about global retail showed poor accurate experimental or theoretical study about glocal approaches used by global retailer, mostly in the Oriental continent. (Chun and Yahagi, 2002: Chang and Tu, 2005). Relatively not many researches analysed in deep the issue and the consequence is a superficial knowledge about their glocalization process. The fact that there are not so many exhaustive empirical or conceptual studies about glocal strategies operated by international retailers, it is indeed a big crack in the full grasp of glocalization meant as the course of the balanced compromise between global and local strategies in retail industry. Global retailers have the chance to get advantage of the useful insights provided both from successful and failing international market penetrations in East Asia. There are hundreds of examples of global retailers who entered Asian markets and adopted glocalization marketing strategies, sometimes as winners sometimes as losers.

Several academics have expressed the willingness for research to study again and deeper how international retailers accomplish and perform their global strategies. Alexander de Lira e Silva, in 2002, stated that only a limited number of global retailers can afford to conduct pure global strategies, given the fact that most of the strategies need a certain level of remodelling to local and national factors. Moreover, Svensson (2001) argued that the spreading of the global model led to not using this term in the proper way or wit the right meaning. That is the reason why different scholars use to refer to a global strategy while they
actually intend to refer to a glocal strategy. Nowadays, the incentive that motivates the
adoption of the idea of glocal strategy in the modern research is the willingness to give a better
and more specific accuracy for academicians and practitioners to comprehend the real essence
of the practical strategies adopted by international retailers. (Svensson, 2002)
2.  Research methodology: The case study of IKEA and Home Depot in China

2.1  Chinese retail market analysis

2.1.1  Chinese economy and retail industry overview

Table 9: Statistics about Chinese economy

| China: Gross domestic product (GDP) at current prices | $10,982.83bn |
| China: Gross domestic product (GDP) per capita at current prices | $8,643.11 |
| Retail trade revenue in China | CN¥3.53tn |
| Year-on-year change in China’s consumer goods trade revenue October 2018 | 8.1% |
| Amount of retail firms in China | 99,182 |
| Market share of the leading 100 retail chain operators in China | 6% |
| Retail sales of the leading 100 retail chain operators in China | CN¥2182.5bn |
| Leading retail chain operator in China by retail sales | Suning Commerce Group Co., Ltd. |

Source: Statista, 2019
In China, the retail market is among the most favourable and profitable ones in terms of business for the next years. The tendency of the Chinese GDP\textsuperscript{13} is not only upward but also expected to keep on increasing during the next years. Only four years ago, for example, the addition of goods commerce on Chinese total Gross Domestic Product\textsuperscript{16} accounted for 36%. The strategy of the Chinese economy has shifted to meet the domestic demand, diminishing exports and increasing in volume of domestic segments.

Lately, both rural and urban households have registered an increase of disposable incomes, but it is also remarkable that the spending power in China has been highly growing and the market has become one of the largest consumer markets worldwide; and it is not expected to stop growing. The revenue of the retail commerce for purchaser merchandise in China has increased more than 10% year-over-year monthly from 2016 to 2017. To understand how much the Chinese retail industry is profitable and increasing, it is helpful to acknowledge that medium monthly retail sales revenues in the habiliment industry have reached more or less 120 billion yuan over the past year. (Leung, 2019)

The Chinese retail sales market is very aggressive and especially variegated. The Chinese Suning Commerce group, a non-government retailer headquartered in Nanjing, has been awarded first as a leading retail chain company in the market of the Asian country, thanks to a circa 159-billion- yuan sales amount. (National Bureau of Statistics of China, 2019)

\textsuperscript{13} \textbf{Gross domestic product (GDP)} is a monetary measure of the market value of all the final goods and services produced in a period of time, often annually.
Figure 3: China: gross domestic product (GDP) at current prices from 2013 to 2023 (in billion US dollars)

Source: Statista, 2019
After a brief analysis of the main features that characterized the Chinese retail market in the past few years, that is what is currently happening nowadays: the Chinese retail market is expected to record a CAGR (Compound Annual Growth Rate) of 10.6% within 5 years from now, 2019. This market is divided by product category, distribution channel and market dynamics. Increasing industrial production and greater amount of foreign currency reserves are boosting the Chinese economy, which seems to be stabilizing gradually. In numbers, Chinese retail sales were up by 9% in 2018 compared to twelve months before, the value of outstanding loans in China growth by 12.9%, which is actually a relatively slow rate of growth than the previous year. Furthermore, Chinese internet colossal were at the core of digital retail and they also broke into the “New Retail” era. (Stern, 2019)

According to the American market research firm eMarketer, in 2019 the Chinese Dragon is supposed to overcome the American Eagle, becoming the world’s largest retail market. The forecasts report that retail spending in China is going to increase by 7.5% in 2019, up to US$5.64 trillion, while USA retail spending is predicted to increase only by 3.3 % reaching US$5.53 trillion. According to this report released on 23rd January 2019, the event that China would become the largest retail market in the world was pretty much inevitable,
especially given the population of 1.3 billion people (four times the size of the US population). A hinder economic situation and current trade hostility between the American leader and the Asian leader didn’t affect the trend of e-commerce; while the increasing employing of resources in lower tier cities is supposed to be handful for Chinese retail industry to face macroeconomic trends and risks. (Stern, 2019)

At the most recent Private Label Manufacturers Association (PLMA) convention in Chicago, it’s been discussed the topic about the O2O\textsuperscript{14} transformation which is taking place in China. This country is moving faster than any other country in the world because the Western retail model was born on legacy systems, while the Asian one got the chance to be internationally disruptive. China doesn’t have a traditional retail model to defend or respect, and that’s what lead the country to a “New Retail”, which is experience-driven and based on digital tools. One of the main advantages for China is that will not only operate more than one fourth of its transaction online (double that of the USA), but it’s also innovating the classical and traditional retail stores. Chinese retail market is on the right path to keep on growing and innovate, providing clues to the future of retail globally.

Moreover, lower tier cities are another possible factor to exploit to grow for China. For instance, Alibaba’s\textsuperscript{15} reports said that more than 65\% of users within its retail marketplace is coming from third or lower tier cities. As a matter of fact, Morgan Stanley, which is an investment bank, stated that consumption levels in Chinese smaller cities is supposed to triple from the 2018 level in ten years. Because of such flows, in 2019 some retail sub- industries and kind of offers in China might become more profitable and rewarding to other different ones. From a long-term perspective, this industry keeps on looking promising, even if macroeconomic risks are still concrete. (PwC China, 2018)

\textsuperscript{14} Online to offline is a phrase that is used in digital marketing to describe systems enticing consumers within a digital environment to make purchases of goods or services from physical business

\textsuperscript{15} Alibaba Group Holding Limited is a Chinese multinational conglomerate specializing in e-commerce, retail, Internet and technology
Overall, a boom of the online purchases known as e-commerce played a big role in the fast growth of Chinese retail sector. As a matter of fact, eMarketer forecasts that e-commerce will be 35% of the retail in China; which in other words means it’s going to value US$2 trillion, which is more than the fifty percent of the overall sales related to online sales worldwide. E-commerce can be considered as a major of the Chinese retail industry, because it accounted almost for one fifth of the Chinese total retail sales in 2018 (National Bureau of Statistics). On the contrary, e-commerce in the United Stated of America is expected to record only 12% of sales deriving from retail. By the end of 2019, the Asian country will get 55.8% of all online retail sales worldwide, which is going to be 63% within three years. Concrete examples of successful Chinese e-commerce retailers are: Alibaba, a Chinese conglomerate specializing in e-commerce, retail, internet and technology, JD.com, one of the two huge B2C (Business-to-


Consumer) online retailers in Chinese by transaction volume and revenue and finally Pinduoduo, an e-commerce platform letting customers to take part in group acquiring transactions. According to eMarketer’s report, Alibaba and JD.com will register an increase of 19.2% and 29.7% respectively in year-on-year sales; Pinduoduo, on the other hand, will witness a growth in sales by 100.8%. According to Peart, senior forecasting director at eMarketer, the increase in purchasing power and average spending per person happened thanks to the growing incomes and investments into the new middle class during the last years. (Statistics & Facts (Statista), 2019)

Moreover, new entries and international retailers operating in different channels are stealing shares from giants like Alibaba and JD.com, so smaller competitors are stabilizing into niche in the Chinese e-commerce industry by attracting consumers through WeChat (most used mobile app in China) and online-to-offline data, as Peart said. (Chipman, 2019)

2.1.2 PESTEL Analysis: Chinese retail market

A PESTEL analysis is a tool useful to study and control the external marketing environment, so macro-environmental factors that influence a company. It is basically an external analysis for market research that gives a strategic overview to have an insight about the position of the business, its stage of growth and its potential.

For this reason, Political, Economic, Social, Technological, Environmental and Legal are taken into examination through this kind of analysis. (Torres, 2011)

Political

As for trade regulation, the Chinese retail industry is not sanctioned like other sectors, since it is not considered a prestigious one by the government. The local government is paying attention to modernize the traditional and innovating the traditional retail market moved by

16 Business to consumer refers to the transactions conducted directly between a company and consumers who are the end-users of its products or services.
the purpose of broadening different network of chains also in the mainland of China. Moreover, the Chinese economy has changed a lot during the last three decades: starting as a centrally organized structure, self-supporting and not open to international commerce, and becoming to an economic system aiming towards to the market and to the growth of the private sector. For this reason, starting from 2001 the Asian country retail industry has been opening towards international Multinational Enterprises, thanks to the removal of the trade barriers when China entered the World Trade Organization. Nowadays, only one third of the firms are controlled by the government. (Morrison, 2018)

**Economic**

China is nowadays second biggest economic power in the globe considering nominal GDP on purchasing power basis. The economic growth has influenced a lot the Chinese retail market. The domestic demand is staying strong and it is supposed to grow during the following years, nonetheless the consumption has been forecasted to grow. Furthermore, the Chinese index rate of corporate income tax is 25%, but some particular tax charges have been introduced for corporations operating in certain industries or areas. Furthermore, the individual tax rate varies between a range of 3% and 45%. (The World Bank, 2018)

Finally, also suppliers play a huge role; because it is crucial to create relationship with locally-established suppliers that can provide goods respecting international quality standards. (PwC, 2018)

**Social**

The growth rate of Chinese denizens is 0.65%, the medium life expectation is 74 years and the age allocation is not equally allotted: for instance, nowadays the youth group is relatively small, because of the one child policy established in 1979. The huge urbanisation has happened very rapidly and currently China has been ranked as the most populated country worldwide, counting 1.3 billion people; and the Chinese government has the purpose to eliminate absolute poverty before 2020. In addition, Chinese customers usually pay attention
to products safety and forcing or implementing foreign format into Chinese society is highly risky, because could result in rejection of foreign supermarket chains. (BBC, 2018)

**Technological**

China is huge and vast country, but the infrastructure in the mainland is poor. It is fundamental creating a net of warehouse in strategic points to contract-out transportation to a well-established partner in the distribution field with a good local awareness and expertise. Lately, huge entrepreneurship and innovation programmes have been launched in order to make China a global leader in science and technology. IT capabilities are also needed to be integrated into the already active distribution systems, nonetheless China counts for the 772 million users, the broadest online community on the globe. The living standards are also very different from the western countries, and this is something that a company willing to enter the Chinese retail industry should always remember.

**Environmental**

The Chinese government has recently taken environmental decisions that happened quickly and involving radical changes: for example, the abolishment of plastic bags or the introduction of recycling campaigns by national and social plans. Because of international pressure on this huge Asian country, China also turned to be sensitive to issues like pollution and it’s introducing stricter controls on multinational companies. High level of water and air pollution, industrial waste, deforestation and climate change are serious issues in China: that is the reason why initiatives to solve environmental issues are a top priority for this country. (ESSAYS, UK, 2017)

**Legal**

Different government legislations and policies have always influenced directly the operating of companies from another country establishing in China. A barrier entry to the
sector can be represented by the authority’s policy of monopoly control and overthrow of buyers’ power. For instance, a restraint in the retail industry can be embodied by license requirements and restrictions on availability of basic equipment. Furthermore, another issue for Chinese government is to regulate properly e-commerce, as it is increasing year by year, respecting and validating privacy, as well as online frauds and contracts. (Chen, 2018)
Table 10: Chinese retail market PESTEL Analysis, Summary

<table>
<thead>
<tr>
<th>Category</th>
<th>Analysis</th>
</tr>
</thead>
</table>
| Political    | - Retail industry not as sanctioned as other sectors  
               - Attention to modernization to broaden retail networks  
               - Shift to international trade and oriented to the growth of the private sector  
               - Opening towards MNEs,  
               - Removal of trade barriers when China entered the WTO  
               - 1/3 of the firms are controlled by government |
| Economic     | - Strong domestic demand and supposed to grow  
               - Increase in consumption  
               - Rate of corporate income tax is 25%  
               - Individual tax rate from 3% to 45%  
               - 2nd largest economy in the world by nominal GDP on purchasing power basis |
| Social       | - High social and age distribution inequality  
               - Rapid urbanisation  
               - Environmental damages  
               - Most populous country in the world (1.4 billion people population)  
               - Aim to eliminate absolute poverty before 2020  
               - Population growth rate is 0.65%  
               - Average life expectancy is 74 years old |
| Technological| - World’s largest online population (772 million users)  
               - Launch of mass entrepreneurship and innovation programmes to become a pioneer in science and technology worldwide |
<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental</td>
<td>- High water and air pollution</td>
</tr>
<tr>
<td></td>
<td>- Industrial waste</td>
</tr>
<tr>
<td></td>
<td>- Deforestation</td>
</tr>
<tr>
<td></td>
<td>- Climate change</td>
</tr>
<tr>
<td></td>
<td>- Initiatives to solve environmental issues</td>
</tr>
<tr>
<td>Legal</td>
<td>- Government legislations and policies have a direct impact on the</td>
</tr>
<tr>
<td></td>
<td>performance of foreign companies</td>
</tr>
<tr>
<td></td>
<td>- Government’s policy of monopoly control and reduction of</td>
</tr>
<tr>
<td></td>
<td>buyers’ power as trade barrier</td>
</tr>
<tr>
<td></td>
<td>- License requirements and limits on access to raw materials</td>
</tr>
</tbody>
</table>

Source: Author’s construction based on the previous analysis
2.2 IKEA’s glocalization of marketing strategies in China

2.2.1 Company overview and history

IKEA is a Swedish multinational corporation that produces and offers ready to assemble furniture and home services. The name of IKEA has its origins from the acronym of the capital letters of the creator of the company, Ingvar Kamprad, his home farm, Elmtaryd, and his home village, Agunnaryd in Sweden. This name originated the world’s largest furniture retailer since 2008 and its founder has been identified by Forbes 2015 like one of the ten wealthiest men on the globe. Ingvar Kamprad established the company in 1943 as a mostly mail-order sales business, from that moment on the company never stopped growing.

Only five years later, they started to sell furniture. Rivals tried everything to stop the expansion of IKEA, banning local suppliers from providing raw materials and furniture to the company and forbidden it from present to showcases in industry exhibitions. Therefore, IKEA was forced to innovate to remain competitive, getting acknowledge of the way to design its own furniture, acquiring raw materials from polish suppliers and origination its own exhibitions. The first stores opened in a foreign market was the one founded in Norway twenty years later, expanding afterwards all over Europe in the 1970s. IKEA further expanded in 1980s opening stores in countries all over the world, from America to Asia. Coming to November 2018, the company counts 424 stores established in 52 nations. Germany, USA, France, UK and Sweden are the states where the company sells the most. The fame that IKEA earned throughout the years has been recorded due to its attention to cost monitoring, activities specifics and never-ending offer improvement; all of this led the firm to lower its prices during a period of global expansion. (Ying Pan, 2005)

The vision of the international retailer “to create a better everyday life for the many people” (IKEA management, 2018) and the business idea, “To offer a wide range of well designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them” (IKEA management, 2018), sustains this vision through a broad set of properly-produced, practical home furnishing merchandise at payments affordable by the average majority. However, compromising price doesn’t affect the quality of the goods,
“Low price but not at any price” is one of the mottos. This is the main feature that let IKEA’s business keep on growing and be sustainable. Moreover, the market positioning statement of the retailers is "Your partner in better living. We do our part, you do yours. Together we save money". (Essays, UK, 2016)

The group is controlled by different foundations located in the Netherlands and Liechtenstein and has a complex corporate structure. As a matter of fact, the furniture retailer is possessed and conducted by a series of no-profit and profit companies. The two principal divisions of the company are operations and franchising. Nowadays, Inter IKEA Systems possess the IKEA trademark and concept, registered in the state of Luxembourg, and every store is conducted by Inter IKEA Systems via a franchise agreement. At the end of 2018, $44.6 billion of IKEA worthy products have been purchased, its online commerce can count 12000 merchandises and 208,000 employees work for the group. (Tengblad, 2018)

Figure 6: IKEA’s purpose

Source: The Times 100, 2009
2.2.2 SWOT Analysis and Marketing Mix (4Ps) Analysis

SWOT Analysis is a strategic planning instrument, helpful for companies to reach their goals and objectives because it addresses to focus on key issues. Strengths, Weaknesses, Opportunities and Threats are the features analysed and involved in a project or in a business. Strengths and Weaknesses are internal aspects, so factors in control of the business and usually related to marketing, finance, manufacturing or management. On the other side, Opportunities and Threats are external factors, meaning that they are not in control of the management and usually they concern the context, the economic position, social developments or industrial and mechanical matters. (Gruel, 2017)

Strengths

Strengths usually concerns the company’s marketing competence and they exist in every business element that manage to give value the product or the prices. IKEA’s strengths are (Riddhima Chopra, 2009):

- Great global brand recognition, synonym of the quality and range across the globe

- The vision, whose purpose is to “create a better everyday life for many people” (IKEA management, 2018)

- A solid idea that the company carries on, trying to offer a set of properly manufactured and practical products at moderate prices

- The unique style of the design through which the products are realized, in order to meet functional, qualitative and pricing needs
- The attention payed to maintain cost effectiveness. IKEA looks for innovative ways to reduce costs, but without influencing the appealing of its offer and the consumers’ expectations

- The increasing use of renewable materials in a smart way

- The volume commitments, since one of the aims is to create long-term relationships with partners and suppliers, in order to reach lower prices and guarantee the deals

- Economies of scale and outsourcing of equipment from not far points through along supply chain to reduce transport costs

- Investments in new technologies

- Affordability as the inexpensiveness of the company products

- Marketing strategy: IKEA adopted a successful hybrid strategy, not easy to copy for competitors. The company decided to target the middle class providing a wide range of differentiated products at the lowest cost possible

- Market research: IKEA knows the ins-and-outs of its consumers. IKEA measures its strengths also through some KPIs (Key Performance Indicators), useful to keep track of the progress and the overall purposes through the definition of goals to reach and controlling advancements. An example is the KPI used is the amount (%) of suppliers that are currently IWAY\textsuperscript{17} passed. (Gustafson, 2015)

\textsuperscript{17} IKEA way of purchasing home furnishing products”
**Weaknesses**

Through the acknowledgment of its weaknesses, a company is able to improve and manage them, helping to set goals and operating innovative new approaches. The international retailer’s weaknesses are:

- The scale and the size of IKEA’s global brand, which can complicate the controlling and the quality standard.

- The requirement of low-cost products, constantly in need of being uniform with proper quality

- The need to differentiate the brand and the products from competitors

- The difficulty to maintain a strong communication both with the consumers and stakeholders

- IKEA has had witnessed some episodes with bad press

**Opportunities**

Through its main strengths, a company can take advantage of the arising opportunities. The international retailer has always been environmentally prone to operate a business prospected to result in good returns. A true opportunity in terms of business for IKEA has always been the aim to provide solutions to make customers’ life at home more sustainable. IKEA has always motivated its clients to recycling or reusing products, aspiring to no useless waste of products and to use reusable equipment to generate and fabricate new-born brand merchandise. Thanks to its sustainability program, some opportunities are (Le Pluart, 2016):
- Increasing necessity for greener products

- Increasing requirement of affordable offer

- Need of limited water use and minor carbon footprints

- Solutions for both eco-friendly life at home and eco-friendly programmes to reduce the use of water, sustainable use of resource

- Implementing social responsibility

- Being open with its stakeholders.

IKEA should also consider entering new promising and profitable markets, accentuating their sales by offering more products online and also building trust with stakeholders.

**Threats**

Being aware of possible external threats is fundamental for a company, because it can avoid or counteract them. For IKEA, some possible threats can exist in (Shen, 2016):

- Social trends, like the deceleration in the first-comers penetrating the housing-furniture market.

- Market trends, because a great number of players are now competing
- Economic forces, such as the collapse or the declining economy that affect negatively the population spending and disposable income

After this analysis, we can possibly see how IKEA should manage these weaknesses and threats to make a positive result possible. To operate a successful global strategy, the furniture retailer has to maximise its strengths and minimise its weaknesses, by reinforcing its market share image and by avoiding escaping or counteracting the external threats. (Frue, 2018)

To sum up, IKEA benefits from an excellent reputation due to its global brand, operating all over the world. Still, there’s room for improvements of its performance, computing its external and competitive context. IKEA is strong enough to react to both internal and external matters and concerns in an intense and compelling way. To keep its strong identity in the competition, IKEA choose to keep prices low, use resources economically and pay attention to responsibility for people and the environment, without give up on innovative and functional design of its products. The company’s purpose goes beyond profitability and reputation, because the goal is to become a major model in operating green business, which brings to a real benefit not only for customers and the globe, but also for the business. (The Times 100, 2009)
<table>
<thead>
<tr>
<th>Strengths:</th>
<th>Weaknesses:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Strong global brand</td>
<td>- Size and scale of its global business</td>
</tr>
<tr>
<td>- Affordability</td>
<td>- Need of low-cost products</td>
</tr>
<tr>
<td>- Vision “to create a better everyday life for many people”</td>
<td>- Dependence on good communication with consumers and stakeholders</td>
</tr>
<tr>
<td>- Solid concept of offering a broaden set of affordable functional products</td>
<td>about the environment</td>
</tr>
<tr>
<td>- Balance between function, quality, design, price</td>
<td>- Bad press history</td>
</tr>
<tr>
<td>- Increase in renewable materials</td>
<td>- Difficulties to control the standards across different locations, due to the large size business</td>
</tr>
<tr>
<td>- Long-term partnerships with suppliers</td>
<td>- Need of differentiating from competitors</td>
</tr>
<tr>
<td>- Economies of scale</td>
<td></td>
</tr>
<tr>
<td>- Reduction of transport cost</td>
<td></td>
</tr>
<tr>
<td>- Usage of new technologies</td>
<td></td>
</tr>
<tr>
<td>- Marketing strategy not easy to copy for competitors</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Opportunities:</td>
<td>Threats</td>
</tr>
<tr>
<td>- Growing demand for greener products</td>
<td>- Imitation of its low-cost business model</td>
</tr>
</tbody>
</table>
Marketing Mix (4Ps) Analysis

As already written in the first chapter, the Marketing Mix analysis studies the brand which covers 4Ps (Product, Price, Place, Promotion) and is useful to explain the company’s marketing strategy.

Product

Theoretically, “product” is defined as everything that is offered by a business. So, the concept of product goes beyond the mere idea of a physical merchandise sold by stores (Hall et al, 2008). IKEA is a leading global retail chain, famous for covering a wide range of products and offering that are in the brand’s marketing mix. IKEA’s major products are home furniture, characterized by quality, aesthetic designs, functions and affordability. Every item has a special name. IKEA has always preferred to focus on satisfying the customers’ needs, so that they were retained for a longer period. The development of the products according to

Source: Author’s construction based on the previous analysis 2.2.2

- Increasing requirement of affordable offer
- Sustainable use of resource
- Reduction of carbon footprint
- Building trust with stakeholders
- New and emerging markets to penetrate
- Online shopping
- Social trends (like a slowdown in customers interested in the housing sector)
- Market forces (more competitors)
- Economic factors like reduction in disposable income
consumers’ needs has always been one of the main concerns for IKEA. Another key point for the company was the continuous expansion of its product portfolio. (Bhasin, 2018)

Price

It is defined as price the quantity that consumers need to pay to use and benefit from the product features. (Hall et al, 2008). Initially, IKEA had the advantage of being almost monopolist in the market, since they started to develop one-of-a-kind products. This situation of poor competition gave the firm the possibility to target niche groups at prices higher than the average. Later, the competition has begun to become high and aggressive with various international retail chains. In order to stay competitive in the market, IKEA decided to keep the prices low as a pricing strategy, which also constitutes and meets the company’s vision, business idea and concept.

The attention is on cost efficiency and operational specifics, allowing the global retailer to maintain low prices even during the period of global expansion. Furthermore, IKEA does not only original and contemporary manufacturing techniques to produce its items minimizing costs, but also letting clients choose, assemble and carrying products home on their own help to reduce the price. A technique very used by the company is the “Mantissa pricing”, which consists in fixing the prices with 9s, like 299,699$, reaching the goal to give the impression of cheapness (Guangzhou, 2010). The pricing strategy of being affordable in most of the countries without compromising the quality has been the real reason that allow the company to retain the customers. (Essays, UK, 2016)

Place

IKEA’s distribution strategy has been an efficient and successful element of the marketing mix. The strategy in this case leans on a global distribution network used for massive volumes on manufacturing area and helpful to increase financial worth ratios. An amount of more than 25 distribution points and business activities in 52 different states is what makes IKEA unique. The raw materials are acquired in proximity of the supply chain to minimize the transport expenditures, transferring items from suppliers to IKEA points of sale
directly to reduce costs and carbon footprint. Besides that, IKEA encourages its target profiles to purchase and do e-shopping on the website. (Davis, 2018)

Promotion

Promotion is a marketing tool advertise a company offer through all measures available (Hall et al, 2008). IKEA invests greatly on its marketing campaigns, using promotion means like media, online advertising, billboards etc. However, the simple promotional instrument of the company is a free catalogue where its offer is presented, including commodities details. Anyway, IKEA has been using different forms of promotions, where sales and trade promotions worked the best. Innovative marketing campaigns have been operated by the retailer, for example a subway train imitating IKEA in style was established in Novosibirsk, Russia. (Bhasin, 2018)
Table 12: IKEA’s Marketing Mix Analysis, Summary

<table>
<thead>
<tr>
<th>Product:</th>
<th>Place:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Quite vast range of products</td>
<td>- 52 countries</td>
</tr>
<tr>
<td>- Wide range in terms of style, aesthetic</td>
<td>- 424 stores</td>
</tr>
<tr>
<td>designs and functions</td>
<td>- Store located on the fringes of town</td>
</tr>
<tr>
<td>- Tailored on the needs, tastes and</td>
<td>- Pick up points for customers who</td>
</tr>
<tr>
<td>lifestyles of customers</td>
<td>ordered online</td>
</tr>
<tr>
<td>- Differentiation of products</td>
<td>- Good design of the stores to let the</td>
</tr>
<tr>
<td>portfolio</td>
<td>customers live an experience</td>
</tr>
<tr>
<td>- Good quality of raw materials</td>
<td>- Distribution based on a global</td>
</tr>
<tr>
<td>- Reliance on design innovation</td>
<td>distribution network used for huge volumes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Price:</th>
<th>Promotion:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Low price strategy</td>
<td>- Sales promotion and trade promotions</td>
</tr>
<tr>
<td>- Matching low prices with high quality</td>
<td>- Different channels: catalogue as a tool</td>
</tr>
<tr>
<td>products</td>
<td>for communication, ATL medium</td>
</tr>
<tr>
<td>- Cost efficiency strategy</td>
<td>social media, public campaigns, digital</td>
</tr>
<tr>
<td>- “Mantissa pricing”</td>
<td>channels</td>
</tr>
<tr>
<td></td>
<td>- Localised communication in advertising</td>
</tr>
<tr>
<td></td>
<td>to create a connection with the local</td>
</tr>
<tr>
<td></td>
<td>population</td>
</tr>
</tbody>
</table>

Source: Author’s construction based on the previous analysis 2.2.2
2.3.2 IKEA marketing entry strategy in China

IKEA begun its retail operation in China in 1998, establishing a joint venture with Beijing Northern Sweden Limited Company, Shanghai Shenrui and Beijing Beirui, born with the purpose of respecting local laws, as during that period legal requirements didn’t allow for foreign companies to establish a wholly owned enterprise (Wang, 2011). Furthermore, the idea of a venture fulfilled the purpose to create a platform to examine the market, comprehend the local needs and adjust consequently the strategy accordingly. Surely, another benefit from the joint venture was the minimization of the risk, since entering the Chinese market came with uncertainties. It also allowed IKEA to overcome the greatest difficulties: the legal system and trade barriers. However, the market entry strategy didn’t let IKEA broadening its expansion and brought affect the store design, as the IKEA store built in Shanghai was redesigned. Mr. Zhu (CEO of IKEA China) said that a local strategic partner could not just be helpful for IKEA to comprehend the new market, but reduce the operational risk for both companies as well. This strategy helped to overcome localization, competition with local companies and respect Chinese laws. Anyway, when China joined the WTO (World Trade Organization), also foreign companies got the right to establish a wholly owned store in the country, so IKEA decided to change the entry mode strategy and acquire the left shares from the partners to build wholly owned stores and gain ownership of the only store already built. This strategic choice let IKEA keep on expanding and fully controlling the store operations. (Chopra, 2009)

“The change of IKEA retail store’s operation mode was the only matter of time, and the cooperative enterprises also known about this. On the first day of our cooperation IKEA was facing problem of buying back the remaining stake, and the cooperative enterprise also got ready to sell equity to IKEA in the future” (Ms. Zhu –CEO of IKEA China).

However, what was clear from the beginning was that Chinese apartments were usually not vary spacious, forcing customers to look for functional and specific products. At the beginning, the stores were not thought for the accommodation of the “all day” Chinese shoppers, but after the wholly owned stores were established, IKEA decided to adjust the layouts to benefit the Chinese consumer experience and gain popularity among the consumers, making China actually one of IKEA’s fastest growing markets. (Chu, Girdharm, Sood, 2013)

This was not the first time for IKEA to face such problems: in the USA, the retailer firstly tried to replicate the existing business model and products, realizing soon the need to
customize them according to the local needs in order to be successful. The problems the company had to face in China were, however, even more challenging than the ones faced in America. IKEA’s profits started to grow fast as it was opening more and more stores from Beijing to Shanghai. For example, the revenue in China in 2004 was 40% higher than the year before. The problem, anyway, was that the local stores were not profitable, so the company had to identify the strategic challenges and try to solve them. An issue to take into consideration was the price: IKEA’s prices were not estimated high in Europe and North America, but way above the average in the Asian country instead. Also, local stores can count on less expensive labour and raw materials, so IKEA established a lot of factories in China, letting the local souring of materials increase. So, this local establishments solved the issue of high import taxes in China and since the beginning of 2000, IKEA has cut the average prices by more than 60%. Mass production and supply chain expenditures contribute to cut prices even more. Anyway, high prices have been a major barrier in China. The IKEA’s promise of a global branding offering low prices didn’t perform efficiently in China as western products were often considered as ambitious and longing in Asian countries. This low-price strategy created disorientation for Chinese people, but the firm was able to realise it soon and counteract starting to target the young middle-class segment, characterized by relatively higher incomes, better education and awareness of western styles. This represented a huge shift in strategy, because the company has always chosen to target the mass market in all the other countries it operated into. Crucial to this physical broadening has been revenue expansion: when IKEA lowered its prices by almost 10%, the sales in China increased by 35% in 2003, being up to 50% in the first trimester of 2004 only. Moreover, during 2003, PRC factories produces almost a quarter of IKEA’s goods, moved by the company’s goal to make a third of its goods locally in the following years. One year later, 66% of IKEA’s products was made in Europe, 31% in Asia and only 3% in the USA. By that time, IKEA was utilizing more than 360 suppliers and hiring thousands of employers in China.

IKEA adjusted its marketing strategy as well, since in the majority of countries, the company is known to use the product catalogue as the most important marketing mean, while in China the catalogue was just useful for competitors to copy the firm’s offer and designs and then offer analogous products at lower prices. Another important change to mention, is the decision by IKEA to adjust its store location strategy; in the western countries, the stores are set often in the suburbs, as customers use mostly personal means of transportation, in China,
on the other hand, was forced to establish the outlets on the outskirts of cities, linked by rail or metro stations, since the clients are more likely to use public transportation. As for the layout, the Chinese stores reflect the layout of the typical Chinese flats. Moreover, IKEA also adapted its do-it-yourself assembly idea to the Chinese perception. Since the labour costs in the west are higher than in China, European and American people prefer to assemble products by their own to pay less or enjoy the phase of installation. In China, the perception of do-it-yourself is different and not popular, so they prefer instead to have the products ready and use the IKEA’s assembly services more (Miller, 2010). Since the beginning, IKEA decided to become as much eco-friendly as possible, but this resulted to be difficult in China. Customers are particularly price-sensitive, so, for example, they are not interested in paying more for plastic bags or the supplier believe that adopting new technologies would lead to higher costs and affect their business. (BBC, 2013). Furthermore, while the major part of IKEA’s customers were 40-45 years old in the rest of the world, in China the company aimed at attracting more and more customers rather close to the age of 25-30, better educated, earning higher incomes and used to traveling. Finally, IKEA modify its offering to fit the necessities of Chinese consumers’ culture. “When IKEA first began operations in China, it sold Hong Kong-sized beds, which are shorter than standard-sized beds. But we quickly realized the beds were too short for mainland China and switched to selling standard beds,” Smedberg (2003).

For a full comprehension of Chinese population’s lifestyle and necessities in the home improvement industry IKEA conducted home visits, surveys, focus groups and direct interviews. In addition, IKEA helped and encouraged Chinese customers to understand the company’s concept by posting in-store instructions and design advice, publishing brochures and catalogues and establishing a very detailed website. (Lingxiu, 2017)

IKEA had to face three principal challenges in China: pricing, high duty rats and PRC18 bureaucracy, but it was able to adapt in order to overcome them, IKEA understood that in emerging economies, global brands should not be successful by operating a low-pricing strategy, because probably there are going to be local manufacturers competing at a lower cost structure. Moreover, the international retailer also understood that these new markets are not pro-environment-friendly business yet, because it implies higher prices. This can make things difficult, especially operations like distribution and logistics. IKEA successfully adapted in China, even if it meant to modify a lot its strategies and wait for 12 years before becoming

18 Acronym for “People’s Republic of China”
profitable. IKEA was able to make all necessary adjustments to combine its growth ambitions and brand promise. (Ying Pan, 2005)

These are the words of Ms. Zhu, CEO of IKEA China in 2017: “There are many cultural differences between the East and West as we known. China is a traditional eastern country with long history, however, IKEA is a typical internationalized enterprise of Sweden. And of course it is necessary for IKEA to consider the influence of cultural difference in selecting location of target market in China. These three decades years with the speeding up of globalization and the expansion of Chinese policy- the reform and opening-up, China is gradually accepting the western cultural, and this is especially obviously in some area of China, such as the political and cultural centre –Beijing, the economic centre-Shanghai, the special economic zones-Shenzhen, and some coastal open cities…. And IKEA retail stores firstly have already distributed in these relatively developed cities with deeper western cultural infiltration, and IKEA China also has the intention to expand retail stores in other market void cities, and this would be a gradual process in a long-term. Only to be confident is not enough, we must to be patient for this”. (Ms. Zhu –CEO of IKEA China)

Figure 7: The strategy map of IKEA in China 2017

Author: Lingxiu, 2017
2.3 Home Depot’s glocalization of marketing strategies in China

2.3.1 Company overview and history

The Home Depot Inc. or Home Depot is a US global retail firm born to provide home improvement supplies on the international scale. Home Depot is a public company listed at the New York Stock Exchange, counting 40,000 employees, $15.47 billion in sales and US$8.630 billion net income in 2018. (Home Depot Website, 2019)

The American firm sells tools, construction products and services and operates format stores in the US (70 distribution centres) and overseas markets as well. What Home Depot offer consist of not only building materials, home improvement products, lawn and garden products, and decor products; but also, home improvement installation services and tool and equipment rental. The Head-Quarters are located at the Atlanta Store Support Centre in unincorporated Cobb County, Georgia. This company is a powerful player in the home improvement retailing sector globe-wide; nowadays it is the largest home improvement retailer in America, ahead of the rival Lowe’s, and has a big influence in the other same segments all over the worlds. The company was co-founded by Bernard Marcus, Arthur Blank, Ron Brill and Pat Farrah in 1978: the proposition was to establish home-improvement superstores, overcoming competitor’s facilities. “Bernie and I founded The Home Depot with a special vision – to create a company that would keep alive the values that were important to us. Values like respect among all people, excellent customer service and giving back to communities and society”, said Ken Langone, an investment banker who helped the founders to gather the necessary capital

The expansion happened during the 1980s led to financial issues with earnings decreasing to 42% and debt increasing to $200 million. Moreover, this also was the cause of the falling stock price; however, despite these difficulties, at the end of the 80s the company turned into a leader in the USA home improvement retailing sector, overcoming the main rival Lowe’s. Then, during the 1990s, the company looked for new ways to redefine its marketplace and tried different programs to know where business was more likely to be improved next. In the 2000s, the company kept on growing, in 2006, for example, it acquired for $3.2 billion Hughes Supply, one of the most important home retailers in the US. (Bloomberg, 2019)
Nowadays, the slogan introduced in 2009 and hold by the company is “more saving and more doing”, based on the DIY (do it by yourself) concept that characterize the home improvement practicality searched by the clients the international retailer’s aims to reach.

Home Depot is known for transformation it brought to the USA home improvement sector. Since the recession, the firm has recorded an impressive increase, leading Home Depot to conquer the way to become the industry leader with a 27% share. (Burkitt, 2012)

2.3.2 SWOT Analysis and Marketing Mix (4Ps) Analysis

As already seen in the second paragraph of the second chapter, the SWOT analysis is a useful tool to identify the problems a company is facing, analysing internal and external strategic aspects that influence the managerial implementation. The purpose of this SWOT analysis is to show Home Depot’s main strengths and weaknesses, but also the most important opportunities and threats that the business should take into consideration to set the strategies for organizational development. (Gruel, 2017)

**Strengths**

The company’s strengths are directly related to the current success of its business and to the managerial features which conceive the business to be possibly effective. These strengths support the competitive advantage of the firm (Forbes, 2015):

- High-quality of its service, used mainly to differentiate itself from competitors

- Strong brand image and leadership, which are useful to attract the greatest part of the market share
- Close relationship with suppliers, in order to secure cost-effectiveness and economies of scale

- Supply chain method that favour the company’s cost minimization efforts

- Market leadership: Home Depot is the leader in its sector in the US market

- Attention to productivity effectiveness

**Weaknesses**

The principal weaknesses concern the business nature, market strategies and supply chain, which are internal strategic factors that obstacle or erode the growth of the business:

- Limited supply chain: some suppliers are discouraged to do business with competing firms. So, if they are already in a close relationship with the direct rivals of Home Depot, they prefer to avoid doing business with them, limiting in this way the availability of some brands in the company stores.

- Business format easy to copy, which is only prevented by the good quality of the human resources

- Macroeconomic factors: dependence on the US market makes the firm sensitive to any possible recession of the American economy.

- High debt levels, which don’t affect positively Home Depot’s cash flows and profitability, limiting also the possibility to expand their footprint.
Opportunities

In this case, Home Depot’s opportunities are linked mostly to business expansion, which is the market characteristic that can support its business development. The main current opportunities for the American company are (Essays, UK, 2017):

- Broadening the business globally: the company has for sure the chance to strengthen and expand its presence overseas. For example, the company can establish in other emerging markets in developing countries

- Broadening its supply chain: new branches, subsidiaries or acquisitions to reinforce Home Depot’s presence in new sectors or countries

- Improving the diversification of its business: extending the product portfolio and operational areas by acquiring other firms in different industries or markets

Threats

For the American retailer, the threats are linked directly to the economy and other firms in the market, that can affect the business and reduce its capabilities. The main ones are:

- Aggressive state of competition

- Possible substitutes: home improvement products available from general merchandise retailers or online retailers that have a analogous offer
- Economic slowdown, since the company’s revenues are generated mainly in the American market.

The business of the American retailer results from the influence of these internal and external strategic aspects. Surely, the international retailer pays attention to maintain a high-quality service to face the competitive rivalry. However, thinking also about the growing saturation of the furniture retail market, Home Depot has to continue innovating its strategies, in order to surpass weaknesses and exploit the great opportunities it has. Currently, its business is doing well thanks to its leadership in the market, but the company must continue to evolve and counteract the current and future threats by focusing on global growth and expansion and diversifying its business to minimize risk exposures. (Ferguson, 2017)
### Marketing Mix (4ps) Analysis

Responding to the changes happening in the retail industry, Home Depot is modifying its marketing mix (4Ps) and its array of strategies for its products, place (distribution), promotion and prices. (Goi, 2009). This analysis is usually helpful for the companies to implement a marketing strategy successfully and Home Depot’s is using it to maintain its

<table>
<thead>
<tr>
<th>Strengths:</th>
<th>Weaknesses:</th>
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<tbody>
<tr>
<td>- Strong brand image</td>
<td>- High debt levels</td>
</tr>
<tr>
<td>- Diversified product mix</td>
<td>- High dependence on the domestic market (the American one)</td>
</tr>
<tr>
<td>- Focus on productivity enhancement</td>
<td>- High dependence on macroeconomic factors</td>
</tr>
<tr>
<td>- Supply chain in favour of cost minimization</td>
<td>- Limited supply chain</td>
</tr>
<tr>
<td>- Market leadership</td>
<td>- Very imitable business model</td>
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<tr>
<td>- High quality service</td>
<td></td>
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<tr>
<td>- Established good relationship with suppliers</td>
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<table>
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<tr>
<th>Opportunities:</th>
<th>Threats:</th>
</tr>
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<tbody>
<tr>
<td>- Global expansion</td>
<td>- Aggressive competition</td>
</tr>
<tr>
<td>- Online retailing</td>
<td>- High threat of substitutes in the market</td>
</tr>
<tr>
<td>- Further diversification of the business</td>
<td>- Any economic slowdown in the American marketplace</td>
</tr>
<tr>
<td>- Broadening its supply chain</td>
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Source: Author’s construction based on the previous analysis 2.3.2
As a leader in the US market, along with the main rival Lowe’s following closely. This marketing mix points out the strategies to reach the marketing position objectives, ensuring at the same time competitiveness against other furniture retailers. (Bhasin, 2018)

**Product**

In this case, the firm products exist in its retail service. Indeed, the products mix concern the organizational outputs offered to the target market. The company’s most important products are: retail service with expert advice, professional and contractor services, home improvement products and house brands. So, this section of the marketing mix focuses on the high-quality service, even if on the other side, a big part of the products at the point of sales from external subjects. Moreover, the American international retailer is an exclusive seller of other brands and it has its own company-owned or house brands.

**Price**

The global retailer decided to adopt a EDLP (Everyday Low Price) pricing strategy, as a evidence the first stores advertising stated “Everyday low price” to attract as many customers as possible. Indeed, the adopted tactic to set prices is perfectly linked to the Home Depot’s overall tactic, vision and strategy: the company aims at offering the lowest price possible, even maintaining the focus on the high quality of its service (like expert advice), in order to attract more customers to its stores. (Rowland, 2017)

**Place**

This section of the analysis is important to understand Home Depot’s distribution strategy. The stores are for sure the main company where the sales take place and the majority of transactions occur; but, anyway, the distribution strategy involves not only warehouse-style stores, but also online stores and mobile apps. As a matter of fact, revenues are also generated by online stores, made for customer to order for delivery or for store pick-up. Moreover, the
company provides as well online apps for mobile devices that can be used to locate stores or order through the web. The company tries to maximize the possible reach of the target market integrating online technology in its marketing strategy.

*Promotion*

This section of the analysis is aligned with the communication activities operated to attract the target market and make it loyal to the brand. Home Depot is known for using different types of tactics to promote its business and products in its marketing campaign. For instance: advertising (TV commercials), personal selling in the stores, sales promotions, public relations and direct selling (contractors). The first of such a list is the most prominent among the promotion tactics, even if the company uses other media as well. Nonetheless, another important promotion tactic that has a great impact on Homed Depot is its own online website and e-commerce consequently. Furthermore, the promotion of products and services to customers is also greatly conducted by the store personnel. It is also worth to mention that the company adopts sales promotions in special deals form. Finally, the American retailer’s public relations include also activities of corporate social responsibility programs, like “The Home Depot Foundation” or sponsorship of sports teams. Another way of direct engagement is the direct selling that aspire to professionals and contractors. For this reason, the marketing campaigns developed by the firm is diverse and comprehensive. (Gao, 2013)
Table 14: Home Depot’s Marketing Mix (4Ps) Analysis, Summary

<table>
<thead>
<tr>
<th>Product:</th>
<th>Place:</th>
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</thead>
<tbody>
<tr>
<td>- Retail service providing expert advice</td>
<td>- Online retailing</td>
</tr>
<tr>
<td>- Professional and contractor services</td>
<td>- Mobile apps</td>
</tr>
<tr>
<td>- Home improvement products from others</td>
<td>- Stores in warehouse-style</td>
</tr>
<tr>
<td>- Company-owned brands</td>
<td>- Pick-up stores</td>
</tr>
<tr>
<td>- Materials do-it-for-me and do-it-for-yourself</td>
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<table>
<thead>
<tr>
<th>Price:</th>
<th>Promotion:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Everyday Low Price (EDLP) pricing strategy</td>
<td>- Sales promotion and public relations</td>
</tr>
<tr>
<td>- Penetration pricing</td>
<td>- Advertising through media and social media</td>
</tr>
<tr>
<td></td>
<td>- Direct selling through contractors and personal selling in stores</td>
</tr>
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Source: Author’s construction based on the previous analysis 2.3.2
2.3.3 Home Depot’s marketing entry strategy in China

By the beginning of 2000s, the Chinese home improvement market was a promising opportunity for international retailers. For this reason, Nardelli, Home Depot’s CEO, pointed the penetration in China as one of the most important company’s purposes, along with the aim of avoiding the same mistakes already done in Chile and Argentina that led Home Depot to failures and focusing instead on the successful examples of Mexico and Canada. However, other retailers competing in the same segment were already building brand recognition, buying optimal locations and creating valid relationships and partnerships in China. All this time pressure led to a strategic choice to avoid being shut out of the market.

For this reason, Home Depot firstly tried to enter the Chinese market in 2002 by opening a sourcing office. Only after the study of the market was conducted, the company chose to acquire a big-box store of Home Way, the fourth largest home improvement retailer in China: twelve stores have been acquired and located in six different cities. advancement of corporate global goals with local interests and needs. (Yung, J., 2011)

At the time of acquisition, Home Way had 12 stores in six cities: Tianjin (5 stores), Beijing (2), Xi'an (2), Qinqdao (1), Shenyang (1), and Shengzhou (1). Yves Chen was named retail president for The Home Depot China. Only two years after the Home Way acquisition, The Home Depot had a new CEO, Frank Blake. The company gained immediate presence in the market and advanced towards its development in the international retailing market (Zimmerman, 2007). Also, Home Depot thought that remodelling and remerchandising the Home Way stores was a good idea for their business, so rebranded stores were then opened in 2007. (Burkitt, 2012) "While we're pleased with the business performance, we're still not confident we have the right business model." said Blake in 2008, adding further, and not surprisingly, that "We want to figure out how to make money there. We'll either figure it out or we won't be there."

The company had a very ambitious plan, but, despite its best effort, Home Depot’s stores could not generate the expected kind of returns advancement of corporate global goals with local interests and needs. (Yung, J., 2011). The strategy has been conducted not concretely and from 2009 to 2011 the international retailer decided to close five stores one by one, the most important ones in Beijing, Shanghai and further Chinese metropolis, ending and investment that costed the company 160$ million. Home Depot's 12 China stores saw reduced
revenue of 31% for the quarter preceding Chen’s 2008 departure, the first decline since the December 2006 acquisition. In November, 2010, when asked, "Can Home Depot 'win' in China?", Raymond Chou said, "Yes! Absolutely! They want the same things that we do in our homes .. " As of early 2011, Home Depot operates 8 stores in China: 4 in Tianjin, 2 in Xi’an, one in Beijing (plus the corporate office), and one in Zhengzhou. However, even by late 2012, the performance was not up to the mark and all seven of its standardized box stores have been closed in China, deciding to exit the big-box retailing market in the country and meaning the failure of its entry operation in China. However, the company decide to keep on operating through two speciality stores and there’s a plan to develop the e-commerce business in China. Home Depot, like any other international retailer, thought China as a huge possibility to grow, where the incredible growth of the middle class opened up a large new market, potentially very profitable; yet, it failed in capitalizing any of that market share and the investment turned out to be a failure. (Home Depot, 2010)

As stated in a contemporary case study, Journal of Business and Management Studies, the breakdown of the American retailer in the Asian country has been connected to different intricated motives. In 2012, the company itself admitted the conduction a wrong marketing strategy in China. First of all, there’s a detachment between the DIY approach and the Chinese culture, which is more do-it-for-me than do-it-myself. (Jacobs, 2017)

The disconnection between the needs and wants of the market and the missing willingness for the Chinese to adopt the DIY service are at the base of the failure of the company in the country, even if it’s not the only reason. Home Depot realized that the way retailers conduct business in China is totally different, poorly giving suppliers a platform to sell the products as suppliers have their own network, and also offer after sales service. Among the main causes of the failure there are (Zheng, 2017):

- The failure in adapting locally: being flexibly integrated into the local marketing accordingly to specific local customers’ needs and habits is now considered a crucial important part of the strategy. In this case, the missing flexibility has played a big role in the failing performance of the American retailer. For instance, the company didn’t understand immediately that in the local culture they prefer the widely-accepted way of consumption due to the collectivistic orientation existing in the country. In addition, the mistake in viewing of

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19 First president of Home Depot China
the cultural difference between USA and north Asian people is among the main reasons for Home Depot’s failure. Moreover, most of Chinese people considered the company’s product too expensive, and for this reason the failure also exists in misjudging the Chinese clients, which preferred an affordable home improvement offer to a final-end offer. The incapability to deal with different social relations and the neglection in cultivating relations with local officials have also been a crucial issue for Home Depot’s local business. In general, Home Depot ignored to bound with outside entities, which are really important for developing business in China. To sum up, the failed management behaviour put the company in a disadvantageous position in the local market

- Wrong choice of the exact entry time and entry mode: a huge mistake for the company was the decision of an inaccurate period to enter, when the most competitive players in the Chinese market have been already well-established. Also, in the local setting there were already several enterprises in the home improvement field that benefit from the advantage to utilize the local sources to minimize the management expenses. The result was that since the beginning the American retailer occupied a disadvantageous position of the market competition compared to its strongest rivals. Moreover, the wrong entry mode also resulted in the poor inquiry of the possible purchasers’ analysis in China and in the not efficient customer communication by the company in China. Home Depot didn’t realize that in such a different culture and market, it couldn’t be as successful as in the USA without carrying out some changes to overall marketing strategy. Indeed, the marketing plan was mostly a result of assumptions made by the company about the possible performance in the host market, lacking in detail researches of consuming behaviour and local characteristics of the Chinese conditions. The American global retailer took for granted the possibility to be successful without any proper and deep analysis of what the local market needed, which brought the management to fail. For instance, they only considered China as an opportunity for development because of its dense population, ignoring the supportability of the retailer’s DIY way of service into the Asian market. Managers just considered the likely market size according to the amount of people and home-owned and not to the market preferences and necessities. This is the demonstration that the plan should rely on a proper study of the local consuming preferences and patterns.

. (Baron and Greenberg, 2008).
“The successful company of the future will have a global mindset as a core characteristic of its leadership” (Ranker, 2018). The international retailer understood from its failing experience in China that global companies need more and more executive talent to lead international operations by working effectively and, most important, being able to balance the advancement of corporate global goals with local interests and needs. (Yung, J., 2011)
3. Results of the study, implications, limitations and further research

3.1 Research findings: IKEA and Home Depot glocal marketing strategies prerequisites and outcomes: comparison

After the analysis conducted in the second chapter, it is clear the fact that Home Depot failed in the Chinese market. Analysts and pundits pointed the difference in culture as the real cause of the failure: Chinese people just don’t prefer “do-it-yourself” style. This is for sure accurate, due to the relatively low labour costs, and most of the Chinese customers would prefer to pay someone else to do the work instead of doing it themselves; but, as seen before in this paper, it is not the only reason. IKEA, instead, has found a way to be truly successful in the same market, and it is also a company known for proposing to its customers to put everything together themselves. So, the question that now rises spontaneously is “What distinguished IKEA from Home Depot in China?”.

It appears that Home Depot made the same error already done by other international corporations who tried to enter China: not being able to understand properly the local market, which is completely diverse from the domestic one. In practical terms, Home Depot helps in solving an already existing problem the customer has and in figuring out what to do for the project. On the other side, IKEA tries to teach how to decorate the customers’ home, so the project allows them to experience the western culture. Differently from Home Depot, IKEA is a strong brand who understood that increasing and expanding globally not only means innovation from the global conditions, but also respect and learning from the local environment. IKEA was able to successfully occupy the home improvement market and to efficiently attract the local customers with its relatively affordable offer fitting with the comparatively lower consuming capacity of the Chinese population. IKEA, in this case, proved that the true and necessary shift in the global mindset is the one who also allows to give credit to the local needs, arriving to the conclusion that the compromise between global versus local, known as glocalization, can lead to optimal results.

Home Depot, instead, didn’t get along with the fact that, unlike consumers in the West, Chinese consumers usually are not provided with a standard model from previous times and home ownership was introduced no longer than twenty years ago; furthermore, home ownership has been rising basically from zero to about 70% during the last two decades. Most
of the population has a poor sense of how furnishing or decorating their home, however, there is a growing trend about learning from the West. Helen H. Wang\textsuperscript{20} said that the Chinese population require to be instructed, because of a lack of role models from previous generations, and the international retailers that allocate time and resources to brace the target market can expect a reward from the effort. This is the main point that IKEA understood and exploited to become popular. They installed western-style showrooms providing models and attracting especially young people through their stylish and functional modern furniture. (Wang, 2011)

As seen in the first chapter, while analysing the theoretical framework at the basis of this paper, the synthesis of the global concept is “Think global, act local”, which emphasizes the international dynamics of interaction between different populations, cultures and markets, and the concept of local, which instead shifts the focus on the peculiarities and the specific features of the context in which the multinational company would like to operate. And that is exactly what IKEA did and Home Depot was not ready and able to do at that moment. Furthermore, from the case study comparison is clear that IKEA benefit from the same advantages of glocal marketing strategies that Kotler (2009) pointed out: the adaptation of the brand to particular needs is highly appreciated by customers, symmetry between the strategic and operative levels of the marketing operation, increase in brand equity and market share and the chance to optimise the local and global marketing together. Combining what has been studied in paragraph 1.1.3 with the case study, it is clear to see how IKEA decided to do a huge shift in marketing strategies, adjust all of the 4 types of glocal marketing strategies in order to establish successfully in China: product-based glocal marketing strategies, distribution-based glocal marketing strategies, price-based glocal marketing strategies and glocal promoting marketing strategies. On the other hand, Home Depot didn’t immediately and effectively adjust its marketing mix to meet the local needs and its growth ambitions, offering instead marketing mix strategies tailored on American requirements.

In the theoretical framework this paper shows and explains many definitions in the context of glocal marketing theory framework, as Fiedman (1999) said that glocalization is “the ability of a culture, when it encounters other strong cultures, to absorb influences that naturally fit into and can enrich the culture, to resist those things that are truly alien, and to compartmentalize those things that, while different, can nevertheless be enjoyed and celebrated as different”; or as Svenson (2001) pointed glocal marketing as the “ Balanced

\textsuperscript{20} an author and consultant on China’s middle class
compromise between: Standardization or adaptation, homogenization or tailoring, similarities or differences, concentration or diffusion, dependence or independence, synchronization or flexibility, and integration or separation of marketing activities”. Through the case study is possible to see how IKEA in China stayed within the borders of this definitions provided by the literature, while Home Depo’s marketing strategiest can’t be classified in that theoretical framework.

On the other side, both the retailers taken into examination into this research paper can be defined through the definition provided by Salmon and Tordiman (1989) od international retailers and not global ones; as explained in the third paragraph of the first chapter. In fact, the two of them adapt international operations with a horizontal hierarch between Head Quarters and subdivisions, being usually more prone to be flexible and to learn local practices, instead of perfectly replicating their concepts in other countries and considering markets as homogeneous, ignoring in however differences between them

After the results coming from the SWOT Analysis, the Marketing Mix (4Ps) Analysis and the glocalization of marketing strategies in China analysis conducted for both the international retailers, the comparison and differences between the IKEA case study and the Home Depot one find the basis also in the theoretical framework. As a matter of fact, it is clear to see that while the IKEA marketing entry strategy in China perfectly reflects the empirical definitions provided by scientific literature studied in the first chapter of this paper, the Home Depot case study in China is far from what the literature has indicated as glocal marketing strategies theories for international retailers.

As result from the analysis conducted in the second chapter combined with the theoretical study presented in the first chapter, it is clear the necessity of some prerequisites for international retailers willing to launch glocal marketing strategies in a foreign market. Of course, the centrality of cultural issues, resource management, private resources, innovative sectors and capacity building are among them, as shown in the examination of the case studies. However, not all of these prerequisites are fundamental to exist for an international retailer to develop a glocalization marketing strategy. When the intention of a firm is to launch a marketing campaign in a host market, the main inquiry to answer to is whether it is able and ready to respect the host culture. Only once the company learns how to properly integrate into its business corporate culture the local one, it can aspire to reach a sustainable competitive advantage. A glocal marketing strategy for China or any other country have to start with the comprehension of the target market as a tool for success. First of all, for international retailers
aiming at succeeding in a new market, the proper and detailed analysis of the market is crucial for the right adaptation to the local conditions. It is useful to only to understand the strong cultural values, traditions, habits but also to gather general information about the market (size, growth, social trends and demographics). Then, one of the first priorities of an international retailer is to point out the segments where an effective glocal marketing campaign might possibly be launched, because, as demonstrated by the case studies, profiling potential customers, targeting the most profitable ones and defining the proper target market become fundamental for a successful glocal marketing strategy. Also, the glocal marketing strategies should be developed on the base of setting clear marketing goals fitting with the general vision and the local requirements. Furthermore, the choice of the right promotional tactics to attract the attentions of the local play also a great role, affecting the success or the failure of the entire operation. Other key elements for a glocal marketing strategy operated by international retailers are the creation of solid relationships with the local entities; and then monitoring and evaluation of how effective the glocal marketing strategy has been, in order to being ready to counteract. That was another main difference in determining IKEA’s success and Home Depot’s failing. Anyway, the prerequisites of glocalization of marketing strategies don’t concern only the local adaptation, but also the choice of the right entry mode and the right time of the entry, as, once again, has been demonstrated by the comparison between the two case studies.

As for the outcomes of glocalization of marketing strategies, the cases’ analysis helps to find out that international retailers can’t lose the potentially huge market in a state into which the number of home owners is increasing enormously from year to year. The following are the benefits and the outcomes of glocalization or adaptation: the international retailers that spend money and time in educating and preparing the market for its business might expect a proper reward, as happened to IKEA. Then, international retailers can rebrand their products and services through glocalization of marketing strategies, especially when entering emerging markets that are still growing. International retailers can meet local consumer’s by glocalizing their marketing strategies, so producing tailor made products on local requirements. As seen, the creation of unique products can represent an advantage when competing with other firms in the same very specific industry. Moreover, as a result from glocalization, the retailer’s corporate image is reinforced by respecting local government’s requirements and new
opportunities rise that help to increase the R&D operation towards new and innovative developments.

3.2 Discussion of the research findings

The research shows that there is not exact formula for success that fits marketing strategies for an international retailer deciding to enter a host country, excluding unconditional acceptance and responsiveness to change. Indeed, the major issue is to never stop to adapt: for a marketing campaign to be successful, the integration of a local approach becomes essential, because, as seen in this paper, a one-size-for-all method is not a common reality. At some point, being able to shift the target audience and building a diverse promise are what makes the difference for an international brand. Nowadays, most of the huge companies are able to move production, exploit local sources or surmount legal requirements, but the major number among them is also ready to really tailor their proposition in a way that fits with the necessary development of the host market and the consumer perception. If international retailers like Home Depot or IKEA are willing to really be successful, they must change the already existing development strategies in the new country and find the right way to combine the corporate culture and the foreign market culture.

By introducing the concept of glocalization of marketing strategies operated by the international retailers, it is illustrated the real value of the “think locally and act globally” idea. Instead of thinking about cultural differences as an obstacle to standardization, international retailers should consider them as sources of innovation.

Indeed, international retailers “think locally” through investigation, identification of different models fitting with the host-market culture. Instead, they “act globally” by combining detailed local info with the standardized retail mix tailored on a global scale, constantly renewing its retail mix and exploiting dynamic capabilities, which are close linked to the company’s adaptation at a local level. Moreover, the point of differentiation is one key tool to predict the international retailer’s ability to operate successfully in a saturated retail industry. Integrating and elaborating different ideas that expand the retail mix and products sustain the capacity of innovation for an international retailer, allowing to reach a relative advantage in a market competition.
As for the recommendations, this paper revealed that a nowadays company should be adaptable and responsive in comprehending the necessities of the new local segment, but always considering the universal level of business marketing and management. When the goal is reaching a successful cross-border marketing campaign, it is crucial the conduction of a detailed and systematic research of the local culture, environment, lifestyle and mentality. Indeed, the local cultural and economic conditions particularly influence the motivation of consumption of the local population. Moreover, the exact time and best entry mode through which a company decide to enter a market are important as well. Finally, as the result from this paper, it is highly recommended that an international retailer should study the proper communicative mode with the locals, since they are really affected by their cultural traditions, habits and conventions; avoiding in this way a blind entry strategy. To sum up, the capability to be adaptable to the local consuming needs plays a crucial role to sustain the development of an international retailers in a host market.
3.3 Limitations of the study and Recommendations for future research

A comparison between case studies like Home Depot and IKEA in China is useful to discover innovative empirical key concepts for international retailers approaching host markets. The difficulties and issues Home Depot dealt with in China are not rare for other international retailers willing to penetrate different countries. For this reason, this case study, combined with the successful example of IKEA, can represent an appropriate insight for other international retailers that want to penetrate just China, but also other host countries. Nevertheless, despite the contribution of this study, there are limitations mostly linked to the case study approach. Although the research analyses two different prominent companies, such as IKEA and Home Depot, the small sample size might limit to generalize the findings outside the contexts of international retailing industry or the Chinese market. Future research should develop empirical measures and quantitative analyses to provide a deeper understanding of the topic. In order to provide a greater study of the matter and to augment the level of generalization of the findings in different research areas, future researches might consider multiple case studies.

Otherwise, another suggestion for future analysis could be to interview the companies’ top management, especially the ones working at the Headquarters in China, in order to get deeper information about the glocal marketing strategies they operate. Perhaps, future studies could also proceed with a study by comparison of the firms’ glocal marketing approach in other emerging oriental states or every other country in other continents that could be a relevant example.

Finally, additional studies on international retailers in diverse Chinese sectors would be helpful for a better understanding of the principal competencies and resources necessary for a retailer who wants to enter a new market; to increase the external validity of the results, the analysis should be conducted about international retailers from several countries and other product sectors.
Conclusion

The purpose of this research has been achieved by summing up theoretical key foundations of glocal marketing and analysing practical case studies on the example and comparison of IKEA’s and Home Depot’s glocal marketing strategies in China. What emerges from this paper is that local features of marketing activities influence the choice of the firm’s marketing strategies orientation. As seen in this thesis, glocal marketing can combine the advantages of both global and local approaches and therefore possibly leading to avoid shortcomings happening when only one of this two approaches is operated. So, a further step in the advancement of academic understanding of glocal marketing is reached, as well as a development of its features in practical terms. Indeed, the research has practical implication for other international retailers approaching a new market with cultural differentiation and launching marketing campaigns where needs, tastes and preferences of customers are different compared to the ones in the domestic market. What the analysis in this paper suggests is that the adaptation for international retailers has almost become a necessity and a requirement to be successful in another country; managers have to be aware of cultural, socioeconomical and political factors and redirect the marketing strategies on the way to meet them.

In particular, by comparing between the two case studies emerges obviously that a nowadays retailer has to be elastic in comprehending the local needs of the market it chose to target on a global scale of business management. In fact, the paper reveals and evaluates how Home Depot failed and IKEA succeeded in managing to glocalized their entry strategy, as well as positioning, sourcing, promoting, pricing, and local competition in the light of the Chinese culture. Furthermore, by studying the theoretical framework about glocal marketing theories and by analysing and comparing two case studies, the paper not only fulfilled its purpose, contributed to theory helping to fill the research gap analysed in the first chapter, but also allowed to find and answer to the research question set in the Introduction, finding out the various and different prerequisites and outcomes of the glocalization of marketing strategies operated by international retailers.

After the results coming from the SWOT Analysis, the Marketing Mix (4Ps) Analysis and the glocalization of marketing strategies in China analysis conducted for both the international retailers, the comparison and differences between the IKEA case study and the Home Depot one find the basis also in the theoretical framework. As a matter of fact, it is clear to see that while the IKEA marketing entry strategy in China perfectly reflects the empirical definitions provided by scientific literature studied in the first chapter of this paper, the Home
Depot case study in China is far from what the literature has indicated as glocal marketing strategies theories for international retailers

As seen in the first paragraph of the third chapter, the answer to the research question “What are the prerequisites and outcomes of marketing strategies operated by international retailers providing a global offer while taking local-related needs into account?” is clear. For the establishment of a proper glocal marketing strategy, an international retailer must be ready to respect the host culture and to fulfill some requirements like: conducting a detailed analysis of the market, selecting the proper segments, profiling potential customers and targeting the most profitable ones; but also defining the right target market and setting clear marketing goals, choosing the right promotional and sourcing tactics and then being ready to properly monitor and evaluate the ongoing marketing strategy. Also, the creation of solid relationships with local entities and the right entry mode and entry time play a big role as prerequisites for the success of glocalization of marketing strategies. As for the outcomes, it is shown in the paper how an international retailer that spend resources and time in educating and preparing the market for its business might expect a reward from the effort. Moreover, as a result from the glocalization of marketing strategies, an international retailer can rebrand its products or services in an emerging and growing market and also propose a unique offer tailor made on local requirements. The glocalization of marketing strategies can also help to reinforce the corporate image and opening new opportunities for the R&D of the international retailer who adopt them.

Finally, this paper leaves room for future research: it suggests conducting a deeper analysis through interviewing top managements of the companies, considering multiple case studies and analysing other industries or countries. All of these can be useful to find out new or deeper findings about the topic, increase the generalization of this research findings and also to discover if what has been found out in this paper concerning the prerequisites and outcomes of glocalization of marketing strategies by international retailers is still valid and applicable in different contexts.
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Summary

1. Literature Review: Ontology of strategic marketing glocalization theory development

1.1 The notion and the essence of glocalization of marketing strategies

1.1.1 Defining the concept of “glocalization”

The word “glocalization” was born in the Japanese language (dockakuka) during the 1980s. In fact, “do”, “chaku” and “ka” in Japanese get individually the meaning of “land”, “arrive” and “process of” in English language. Afterwards, this term was translated to English language by the sociologist Roland Robertson and elaborated again by the sociologist Zygmunt Bauman. The translation and elaboration of the word perfectly express the concept of the adaptation of globalization to the local dimension; studying, in this way, the relationship with the international environment. In 1997, Robertson defined the meaning of the word “glocalization” and he got the credit of being the first one to use this specific word to express the concept of simultaneity of both universalizing and particularizing tendencies. (Ball, 2003) Literally, glocalization is the combination of the words “globalization” and “localization” and it is meant to describe products or services developed and distributed globally but adjusted to meet clients in a local market. Indeed, “glocalization” is linked to the generation or the distribution of products and services made for global or international markets but modified according to the local culture. (Grigorescu and Zaif, 2010, pp. 70-74) “Think global, act local”, this is the synthesis of the glocal concept, which emphasizes the international dynamics of interaction between different populations, cultures and markets, and the concept of local, which instead shifts the focus on the peculiarities and the specific features of the context in which the multinational company would like to operate. The concept of glocalization can be well related to the marketing dynamics of multinational companies, often accused of ignoring or not considering enough the cultural differences on a local scale.

1.1.2 Defining the concept of “marketing strategies”

The ideas at the basis of marketing are represented by customer’s needs, values and wants; as well as the offer, the communication and the relationships created. When the company’s intention is to stay competitive in a global market for a long period, marketing activities become crucial to their aim and the need to set a clear marketing strategy from the very beginning. (Anderson, 1982) “Marketing is a management function responsible for identifying, anticipating and satisfying customer requirements profitably” (Isoraite, 2009) Andreson (1982), Ingamma (1992), Buttle (1993), Dyole (2000), Hambrick and Fredrickson (2001), Kotler (2003), Pranulis (2008), Baker
(2008) definition of strategic marketing illustrated in the paper through a table. (Assael, 1995). The main distinction of marketing strategies found in the literature is: the main marketing strategy, general competitive advantage n the acquisition strategy, strategies to compete under certain marketing share, marketing strategy for its intended market, positioning strategy, strategy of the complex marketing elements. While according to Pranulis (2000), the cycle concerning the marketing planning topic is: strategic marketing plans, tactical plans of the implementation, tactical plans, control of the results, use of the results, preparation of a new strategic and tactical marketing plan.

1.1.3 Glocal marketing strategies: Marketing mix (4Ps) Analysis

A strong glocal strategy summarizes at his best the global experience of a corporation and the customization and tailoring of what it offers in order to fit a new and different markets. And this concept doesn’t concern only product design or the way of communication, but also, when possible, all of the elements included into the marketing mix. The marketing mix (also known as the 4 Ps: Product, Price, Place and Promotion) is a foundation model. The marketing mix has been defined as the "set of marketing tools that the firm uses to pursue its marketing objectives in the target".

*Marketing mix (4ps) Analysis*

In order to show glocal tactics and different detailed combinations of the marketing mix features, some examples considered also by Grigorescu and Zaif (2017): Product-based glocal marketing strategies, Price-based glocal marketing strategies, Distribution-based glocal marketing strategies, glocal promoting marketing strategies.

1.2 Review of the recent studies relevant to glocalization of marketing strategies

1.2.1 Key theoretical concepts: Global VS Local marketing strategies theories

Previously, several scholars had identified two different aspects of globalization-standardization and localization-strategy. In 1986, Porter pointed out that in specific cases standardizing marketing brings to competitive advantages in support of the whole global strategy. One year later, Domzal summarized that the global model puts the focus on consumer analogies across geographic boarders, aiming at minimizing local differences and standardizing marketing strategies. More than ten years later, in 1998, Lewsi and Hennesey added that there are many benefits from standardizing marketing campaigns, products and promotions, that leads to a lower need for localized marketing. However, there are also some academics that agree with the local approach. Koepfler, for instance, stated that a global strategy should be elaborated according to the purpose of creating an offer tailored to the customs and linguistics of diverse industries.
Another supporter of the local approach is Champy (1989), which stated that companies should give importance to the diversity of cultures. On one side, scholars who embrace standardization said that “shared economic savings and the benefits of a shared global brand point towards the importance of a global approach” (Levitt, 1983). In 1983, Levitt wrote an article named The Globalization of Markets for the Harvard Business Review (a general management magazine published by Harvard Business Publishing, headquartered in Brighton), Massachusetts, where he indicated the birth of a modern and universal market, featured by standardized and homogenous offers to the customers. In this article, the scholar wrote also that multinational firms did not focus anymore on personalizing the offer, delivering instead worldwide uniform products which were low priced and functional. So, he was insisting on the concept of customers “convergence of tastes. In 1989, Keegan mentioned two reasons why operating globalization of marketing activities: the first one is the benefit deriving from the opportunity to grow and expand, the other is simply to survive and remain competitive in a world who is going to become more and more “globalized”. However, as Douglas Daft said at the beginning of 2000s, “more adjustability, open-mindness and local consciousness were demanded worldwide”. For this reason, opponents of global standardization support instead peculiarities of market conditions and the uniqueness of cultures. (Taylor, 1996). Local and domestic marketing aim mostly at the maximization of adaptation, looking for flexibility and tailoring to cultural differences. The reason is that this approach remarks the need to include locally-related issues in the marketing operations.

1.2.2 Theories about glocal marketing: an insight

In academic terms, the word “glocalization” identifies the merger and association of the concepts of globalization and localization operations (Robertson, 1995; Svensson, 2001; Poe and Courter, 1997; Maynard, 2003). Fiedman (1999) said that glocalization is “the ability of a culture, when it encounters other strong cultures, to absorb influences that naturally fit into and can enrich the culture, to resist those things that are truly alien, and to compartmentalize those things that, while different, can nevertheless be enjoyed and celebrated as different.” Other authors tried to give a definition to a complex concept like the glocalization of marketing. Khondler, then, described it in 2004 as “the simultaneity-the co-presence- of both universalizing and particularizing tendencies” (Khondler 2004); Foglio together with Sranievicius (2007), connected the concept of glocalization: to a to a strategic combination of globalization and localization; to a tool to manage the entrance to a global/local market; to the ability to stay linked to the local environment when dealing with a global market; to a system that let the local or global firm to optimally operate into a local o global environment. At the beginning of the 2000s, Svensson, gave to the notion of glocal strategy, as the meaning of the mix between a global approach and the needs for local adaptation. This idea found its bases in recognizing the need for a balance between:
“Standardization or adaptation, homogenization or tailoring, similarities or differences, concentration or diffusion, dependence or independence, synchronization or flexibility, and integration or separation of marketing activities” (Svensson, 2001)

1.3 Analysis of gaps and imperfections pertinent to the current state of marketing strategies glocalization theory in the international retail

1.3.1 Glocal marketing theories in the international retail

“Retailers that do their business through an elevate level of universally homogenous operation with a vertical hierarchy between the Head Quarters and subdivisions” is the definition provided by Salmon and Tordiman (1989) in order to explain the concept of “global retailer”. Since how a global brand appeals it’s a fundamental aspect for global retailers, then the offer of a standardized retail mix proposed to several states becomes an important strategy. (Salmon and Tordiman, 1989). Even if sometimes they are used as synonyms, it is different the concept of “multinational retailers”, which can be defined as the ones who “adapt international operations with a horizontal hierarchy between Head Quarters and subdivisions, which prompts all units in the organization to exploit local opportunities independently” (Salmon and Tordiman, 1989). In this case, retailers are more prone to be flexible, to adapt to the local markets needs and to learn local practices. According to Salmon and Tordiman (1989), global retailers choose standardization as a way to operate their business, perfectly replicating their concepts in other countries and considering markets as homogeneous, ignoring in however differences between them. It’s correct to say that in the past standardization helped global retailers to grow internationally and fast, but nowadays they have faced challenges threatening their business.

1.3.2 Limitations of the theories about glocal marketing operated by international retailers

For sure, prior literature has not focused enough on global retailers’ exploitation of different knowledge provided by several foreign sectors to implement an all-for-one retail mix. In deep, previous researches are limited to address the attention to the establishment of international retailers in the local market. The way through which global retailers operate has shift. Moreover, the academic literature about global retail showed poor accurate experimental or theoretical study about glocal approaches used by global retailer, mostly in the Oriental continent. (Chun and Yahagi, 2002: Chang and Tu, 2005). Relatively not many researches analysed in deep the issue and the consequence is a superficial knowledge about their glocalization process. The fact that there are not so many exhaustive empirical or conceptual studies about glocal strategies operated by international retailers, it is indeed a big crack in the full grasp of glocalization meant as the course of the balanced compromise between global and local strategies in retail industry.
2. Research methodology: The case study of IKEA and Home Depot in China

2.1 Chinese retail market analysis

2.1.1 Chinese economy and retail industry overview

In China, the retail market is among the most favourable and profitable ones in terms of business for the next years. The tendency of the Chinese GDP is not only upward but also expected to keep on increasing during the next years. Only four years ago, for example, the addition of goods commerce on Chinese total Gross Domestic Product accounted for 36%. The strategy of the Chinese economy has shifted to meet the domestic demand, diminishing exports and increasing in volume of domestic segments. The revenue of the retail commerce for purchaser merchandise in China has increased more than 10% year-over-year monthly from 2016 to 2017. To understand how much the Chinese retail industry is profitable and increasing, it is helpful to acknowledge that medium monthly retail sales revenues in the habiliment industry have reached more or less 120 billion yuan over the past year. (Leung, 2019). After a brief analysis of the main features that characterized the Chinese retail market in the past few years, that is what is currently happening nowadays: the Chinese retail market is expected to record a CAGR (Compound Annual Growth Rate) of 10.6% within 5 years from now, 2019. In numbers, Chinese retail sales were up by 9% in 2018 compared to twelve months before, the value of outstanding loans in China growth by 12.9%, which is actually a relatively slow rate of growth than the previous year. Furthermore, Chinese internet colossal were at the core of digital retail and they also broke into the “New Retail” era. (Stern, 2019) According to the American market research firm eMarketer, in 2019 the Chinese Dragon is supposed to overcome the American Eagle, becoming the world’s largest retail market. The forecasts report that retail spending in China is going to increase by 7.5% in 2019, up to US$5.64 trillion. (Stern, 2019) Overall, a boom of the online purchases known as e-commerce played a big role in the fast growth of Chinese retail sector. As a matter of fact, eMarketer forecasts that e-commerce will be 35% of the retail in China; which in other words means it’s going to value US$2 trillion, which is more than the fifty percent of the overall sales related to online sales worldwide. (National Bureau of Statistics).

2.1.2 PESTEL Analysis: Chinese retail market

A PESTEL analysis is a tool useful to study and control the external marketing environment, so macro-environmental factors that influence a market segment (Torres, 2011)

Political: Retail industry not as sanctioned as other sectors, attention to modernization to broaden retail networks, shift to international trade and oriented to the growth of the private sector, removal
of trade barriers when China entered the WTO (2001) **Economic:** Strong domestic demand supposed to grow, increase in consumption, rate of corporate tax is 25%, 2nd largest economy in the world by nominal GDP on PPP basis. **Social:** high social and age distribution inequality, rapid urbanisation, most populous country in the world (1.4 billion people population), population growth rate 0.65%. **Technological:** world’s largest online population (72 million users), launch of massive entrepreneurship and innovation programmes to become a pioneer in science and technology worldwide, shift from a labour-intensive country to an innovation-driven one. **Legal:** Government legislations and policies have a direct impact on the performance of foreign companies, government’s policy of monopoly control and reduction of buyers’ power as trade barrier, license requirements ad limits on access to raw materials.

2.2 IKEA’s glocalization of marketing strategies in China

2.2.1 Company overview and history

IKEA is a Swedish multinational corporation that produces and offer ready to assemble furniture and home services. This name originated the world’s largest furniture retailer since 2008 and its founder has been identified by Forbes 2015 like one of the ten wealthiest men on the globe. Ingvar Kamprad established the company in 1943 as a mostly mail-order sales business, from that moment on the company never stopped growing.

2.2.2 SWOT Analysis and Marketing Mix (4Ps) Analysis

SWOT Analysis is a strategic planning instrument, helpful for companies to reach their goals and objectives because it addresses to focus on key issues. Strenghts and Weaknesses are internal aspects, so factors in control of the business and usually related to marketing, finance, manufacturing or management. On the other side, Opportunities and Threats are external factors, meaning that they are not in control of the management and usually they concern the context, the economic position, social developments or industrial and mechanical matters. (Gruel, 2017) **Strenghts:** Great global brand recognition, synonym of the quality and range across the globe; The vision, whose purpose is to “create a better everyday life for many people” (IKEA management, 2018); A solid idea that the company carries on, trying to offer a set of properly manufactured and practical products at moderate prices; The unique style of the design through which the products are realized, in order to meet functional, qualitative and pricing needs; The attention payed to maintain cost effectiveness, IKEA looks for innovative ways to reduce costs, but without influencing the appealing of its offer and the consumers’ expectations; The increasing use of renewable materials in a smart way; The volume commitmens, since one of the aims is to create long-term relationships with partners and suppliers, in order to reach lower prices and guarantee the deals; Economies of scale and outsourcing of equipment from not far points through along
supply chain to reduce transport costs; Investments in new technologies; Affordability as the inexpensiveness of the company products; Marketing strategy: IKEA adopted a successful hybrid strategy, not easy to copy for competitors. The company decided to target the middle class providing a wide range of differentiated products at the lowest cost possible; Market research: IKEA knows the ins-and-outs of its consumers. IKEA measures its strengths also through some KPIs (Key Performance Indicators), useful to keep track of the progress and the overall purposes through the definition of goals to reach and controlling advancements. An example is the KPI used is the amount (%) of suppliers that are currently IWAY passed. (Gustafson, 2015)

Weaknesses: The scale and the size of IKEA’s global brand, which can complicate the controlling and the quality standard; The requirement of low-cost products, constantly in need of being uniform with proper quality; The need to differentiate the brand and the products from competitors; The difficulty to maintain a strong communication both with the consumers and stakeholders; IKEA has had witnessed some episodes with bad press.

Opportunities: A true opportunity in terms of business for IKEA has always been the aim to provide solutions to make customers’ life at home more sustainable. IKEA has always motivated its clients to recycling or reusing products, aspiring to no useless waste of products and to use reusable equipment to generate and fabricate new-born brand merchandise. Thanks to its sustainability program, some opportunities are (Le Pluart, 2016): Increasing necessity for greener products; Increasing requirement of affordable offer; Need of limited water use and minor carbon footprints; Solutions for both eco-friendly life at home and eco-friendly programmes to reduce the use of water, sustainable use of resource; Implementing social responsibility; Being open with its stakeholders; IKEA should also consider entering new promising and profitable markets, accentuating their sales by offering more products online and also building trust with stakeholders.

Threats: Social trends, like the deceleration in the first-comers penetrating the housing-furniture market; Market trends, because a great number of players are now competing; Economic forces, such as the collapse or the declining economy that affect negatively the population spending and disposable income

Marketing Mix (4Ps) Analysis

Product: IKEA is a leading global retail chain, famous for covering a wide range of products and offering that are in the brand’s marketing mix. IKEA’s major products are home furniture, characterized by quality, aesthetic designs, functions and affordability. The development of the products according to consumers’ needs has always been one of the main concerns for IKEA. Another key point for the company was the continuous expansion of its product portfolio. (Bhasin, 2018)

Price: In order to stay competitive in the market, IKEA decided to keep the prices low as a pricing strategy, which also constitutes and meets the company’s vision, business idea and concept. The attention is on cost efficiency and operational specifics, allowing the global retailer to
maintain low prices even during the period of global expansion. **Place:*** The strategy in this case leans on a global distribution network used for massive volumes on manufacturing area and helpful to increase financial worth ratios. The raw materials are acquired in proximity of the supply chain to minimize the transport expenditures, transferring items from suppliers to IKEA points of sale directly to reduce costs and carbon footprint. Besides that, IKEA encourages its target profiles to purchase and do e-shopping on the website. (Davis, 2018) **Promotion:*** IKEA invests greatly on its marketing campaigns, using promotion means like media, online advertising, billboards etc.. Anyway, IKEA has been using different forms of promotions, where sales and trade promotions worked the best. Innovative marketing campaigns have been operated by the retailer. (Bhasin, 2018)

2.3.2 IKEA marketing entry strategy in China

IKEA begun its retail operation in China in 1998, establishing a joint venture with Beijing Northern Sweden Limited Company, Shanghai Shenrui and Beijing Beirui, born with the purpose of respecting local laws, as during that period legal requirements didn’t allow for foreign companies to establish a wholly owned enterprise (Wang, 2011). Furthermore, the idea of a venture fulfilled the purpose to create a platform to examine the market, comprehend the local needs and adjust consequently the strategy accordingly. Surely, another benefit from the joint venture was the minimization of the risk, since entering the Chinese market came with uncertainties. It also allowed IKEA to overcome the greatest difficulties: the legal system and trade barriers. An issue to take into consideration was the price: IKEA’s prices were not estimated high in Europe and North America, but way above the average in the Asian country instead. Also, local stores can count on less expensive labour and raw materials, so IKEA established a lot of factories in China, letting the local souring of materials increase. So, this local establishments solved the issue of high import taxes in China and since the beginning of 2000, IKEA has cut the average prices by more than 60%. Mass production and supply chain expenditures contribute to cut prices even more. Anyway, high prices have been a major barrier in China. This low-price strategy created disorientation for Chinese people, but the firm was able to realise it soon and counteract starting to target the young middle-class segment, characterized by relatively higher incomes, better education and awareness of western styles. This represented a huge shift in strategy, because the company has always chosen to target the mass market in all the other countries it operated into. Crucial to this physical broadening has been revenue expansion: when IKEA lowered its prices by almost 10%, the sales in China increased by 35% in 2003, being up to 50% in the first trimester of 2004 only. IKEA adjusted its promotional strategy as well, since in the majority of countries, the company is known to use the product catalogue as the most important marketing mean, while in China the catalogue was just useful for competitors to copy the firm’s offer and designs and then
offer analogous products at lower prices. Another important change to mention, is the decision by IKEA to adjust its store location strategy; in the western countries, the stores are set often in the suburbs, as customers use mostly personal means of transportation, in China, on the other hand, was forced to establish the outlets on the outskirts of cities, linked by rail or metro stations, since the clients are more likely to use public transportation. As for the layout, the Chinese stores reflect the layout of the typical Chinese flats. Moreover, IKEA also adapted its do-it-yourself assembly idea to the Chinese perception. Since the labour costs in the west are higher than in China, European and American people prefer to assemble product by their own to pay less or enjoy the phase of installation. In China, the perception of do-it-yourself is different and not popular, so they prefer instead to have the products ready and use the IKEA’s assembly services more (Miller, 2010). Furthermore, while the major part of IKEA’s customers were 40-45 years old in the rest of the world, in China the company aimed at attracting more and more customers rather close to the age of 25-30, better educated, earning higher incomes and used to traveling. Finally, IKEA modified its offering to fit the necessities of Chinese consumers’ culture. For a full comprehension of Chinese population’s lifestyle and necessities in the home improvement industry IKEA conducted home visits, surveys, focus groups and direct interviews. In addition, IKEA helped and encouraged Chinese customers to understand the company’s concept by posting in-store instructions and design advice, publishing brochures and catalogues and establishing a very detailed website. (Lingxiu, 2017) IKEA successfully adapted in China, even if it meant to modify a lot its strategies and wait for 12 years before becoming profitable. IKEA was able to make all necessary adjustments to combine its growth ambitions and brand promise. (Ying Pan, 2005)

2.3 Home Depot’s glocalization of marketing strategies in China

2.3.1 Company overview and history

The Home Depot Inc. or Home Depot is a US global retail firm born to provide home improvement supplies on the international scale. Nowadays, the slogan introduced in 2009 and hold by the company is “more saving and more doing”, based on the DIY (do it by yourself) concept that characterize the home improvement home improvement practicality searched by the clients the international retailer’s aims to reach. Home Depot is known for transformation it brought to the USA home improvement sector. (Burkitt, 2012)

2.3.2 SWOT Analysis and Marketing Mix (4Ps) Analysis

Strengths: High-quality of its service, used mainly to differentiate itself from competitors; Strong brand image and leadership, which are useful to attract the greatest part of the market share; Close relationship with suppliers, in order to secure cost-effectiveness and economies of scale; Supply chain method that favour the company’s cost minimization efforts; Market leadership: Home
Depot is the leader in its sector in the US market; Attention to productivity effectiveness. **Weaknesses:** Limited supply chain: some suppliers are discouraged to do business with competing firms. So, if they are already in a close relationship with the direct rivals of Home Depot, they prefer to avoid doing business with them, limiting in this way the availability of some brands in the company stores; Business format easy to copy, which is only prevented by the good quality of the human resources; Macroeconomic factors: dependence on the US market makes the firm sensitive to any possible recession of the American economy; High debt levels, which don’t affect positively Home Depot’s cash flows and profitability, limiting also the possibility to expand their footprint. **Opportunities:** Broadening the business globally: the company has for sure the chance to strengthen and expand its presence overseas. For example, the company can establish in other emerging markets in developing countries; Broadening its supply chain: new branches, subsidiaries or acquisitions to reinforce Home Depot’s presence in new sectors or countries; Improving the diversification of its business: extending the product portfolio and operational areas by acquiring other firms in different industries or markets. **Threats:** Aggressive state of competition; Possible substitutes: home improvement products available from general merchandise retailers or online retailers that have a analogous offer; Economic slowdown, since the company’s revenues are generated mainly in the American market.

**Marketing Mix (4Ps) Analysis**

**Product:** The company’s most important products are: retail service with expert advice, professional and contractor services, home improvement products and house brands. Moreover, the American international retailer is an exclusive seller of others brands and it has its own company-owned or house brands. **Price:** The global retailer decided to adopt a EDLP (Everyday Low Price) pricing strategy, as a evidence the first stores advertising stated “Everyday low price” to attract as many customers as possible. Indeed, the adopted tactic to set prices is perfectly linked to the Home Depot’s overall tactic, vision and strategy: the company aims at offering the lowest price possible, even maintaining the focus on the high quality of its service (like expert advice), in order to attract more customers to its stores. (Rowland, 2017) **Place:** The stores are for sure the main company where the sales take place and the majority of transactions occur; but, anyway, the distribution strategy involves not only warehouse-style stores, but also online stores and mobile apps. As a matter of fact, revenues are also generated by online stores, made for customer to order for delivery or for store pick-up. Moreover, the company provides as well online apps for mobile devices that can be used to locater stores or order through the web. The company tries to maximize the possible reach of the target market integrating online technology in its marketing strategy. **Promotion:** Home Depot is known for using different types of tactics to promote its business and products in its marketing campaign. For instance: advertising (TV commercials), personal selling
in the stores, sales promotions, public relations and direct selling (contractors). The first of such a list is the most prominent among the promotion tactics, even if the company uses other media as well. Nonetheless, another important promotion tactic that has a great impact on Home Depot is its own online website and e-commerce consequently. Furthermore, the promotion of products and services to customers is also greatly conducted by the store personnel. It is also worth to mention that the company adopts sales promotions in special deals form. Another way of direct engagement is the direct selling that aspire to professionals and contractors. For this reason, the marketing campaigns developed by the firm is diverse and comprehensive. (Gao, 2013)

2.3.3 Home Depot’s marketing entry strategy in China

By the beginning of 2000s, the Chinese home improvement market was a promising opportunity for international retailers. For this reason, Nardelli, Home Depot’s CEO, pointed the penetration in China as one of the most important company’s purposes. Home Depot firstly tried to enter the Chinese market in 2002 by opening a sourcing office. The company chose to acquire a big-box store of Home Way, the fourth largest home improvement retailer in China: twelve stores have been acquired and located in six different cities. (Yung, J., 2011) At the time of acquisition, Home Way had 12 stores in six cities: Tianjin (5 stores), Beijing (2), Xi'an (2), Qinqdao (1), Shenyang (1), and Shengzhou (1). Yves Chen was named retail president for The Home Depot China. Only two years after the Home Way acquisition, The Home Depot had a new CEO, Frank Blake. The company gained immediate presence in the market and advanced towards its development in the international retailing market (Zimmerman, 2007). Also, Home Depot thought that remodelling and remerchandising the Home Way stores was a good idea for their business, so rebranded stores were then opened in 2007. (Burkitt, 2012) The company had a very ambitious plan, but, despite its best effort, Home Depot’s stores could not generate the expected kind of returns advancement of corporate global goals with local interests and needs. From 2009 to 2011 the international retailer decided to close five stores one by one, the most important ones in Beijing, Shanghai and further Chinese metropolis, ending and investment that costed the company 160$ million. Home Depot's 12 China stores saw reduced revenue of 31 % for the quarter preceding Chen's 2008 departure, the first decline since the December 2006 acquisition. In 2012, the company itself admitted the conduction a wrong marketing strategy in China. First of all, there’s a detachment between the DIY approach and the Chinese culture, which is more do-it-for-me than do-it-myself. The disconnection between the needs and wants of the market and the missing willingness for the Chinese to adopt the DIY service are at the base of the failure of the company in the country, even if it’s not the only reason. Among the main causes of the failure there are (Zheng, 2017): The failure in adapting locally: being flexibly
integrated into the local marketing accordingly to specific local customers’ needs and habits is now considered a crucial important part of the strategy. For instance, the company didn’t understand immediately that in the local culture they prefer the widely-accepted way of consumption due to the collectivistic orientation existing in the country. In addition, the mistake in viewing of the cultural difference between USA and north Asian people is among the main reasons for Home Depot’s failure. Moreover, most of Chinese people considered the company’s product too expensive, and for this reason the failure also exists in misjudging the Chinese clients, which preferred an affordable home improvement offer to a final-end offer. In general, Home Depot ignored to bound with outside entities, which are really important for developing business in China. To sum up, the failed management behaviour put the company in a disadvantageous position in the local market; Wrong choice of the exact entry time and entry mode: a huge mistake for the company was the decision of an inaccurate period to enter, when the most competitive players in the Chinese market have been already well-established. Also, in the local setting there were already several enterprises in the home improvement field that benefit from the advantage to utilize the local sources to minimize the management expenses. The result was that since the beginning the American retailer occupied a disadvantageous position of the market competition compared to its strongest rivals. Moreover, the wrong entry mode also resulted in the poor inquiry of the possible purchasers’ analysis in China and in the not efficient customer communication by the company in China. Home Depot didn’t realize that in such a different culture and market, it couldn’t be as successful as in the USA without carrying out some changes to overall marketing strategy. Indeed, the marketing plan was mostly a result of assumptions made by the company about the possible performance in the host market, lacking in detail researches of consuming behaviour and local characteristics of the Chinese conditions. The American global retailer took for granted the possibility to be successful without any proper and deep analysis of what the local market needed, which brought the management to fail. (Baron and Greenberg, 2008).

3. Results of the study, implications, limitations and further research

3.1 Research findings: IKEA and Home Depot glocal marketing strategies prerequisites and outcomes: comparison

After the analysis conducted in the second chapter, it is clear the fact that Home Depot failed in the Chinese market. Analysts and pundits pointed the difference in culture as the real cause of the failure: Chinese people just don’t prefer “do-it-yourself” style. This is for sure accurate, due to the relatively low labour costs, and most of the Chinese customers would prefer to pay someone else to do the work instead of doing it themselves; but, as seen before in this paper, it is not the only reason. IKEA, instead, has found a way to be truly successful in the same market,
and it is also a company known for proposing to its customers to put everything together themselves. So, the question that now rises spontaneously is “What distinguished IKEA from Home Depot in China?”. Differently from Home Depot, IKEA is a strong brand who understood that increasing and expanding globally not only means innovation from the global conditions, but also respect and learning from the local environment. IKEA was able to successfully occupy the home improvement market and to efficiently attract the local customers with its relatively affordable offer fitting with the comparatively lower consuming capacity of the Chinese population. IKEA, in this case, proved that the true and necessary shift in the global mindset is the one who also allows to give credit to the local needs, arriving to the conclusion that the compromise between global versus local, known as glocalization, can lead to optimal results. Home Depot, instead, didn’t get along with the fact that, unlike consumers in the West, Chinese consumers usually are not provided with a standard model from previous times and home ownership was introduced no longer than twenty years ago. IKEA understood and exploited this to become popular. They installed western-style showrooms providing models and attracting especially young people through their stylish and functional modern furniture. (Wang, 2011) As result from the analysis conducted in the second chapter combined with the theoretical study presented in the first chapter, it is clear the necessity of some prerequisites for international retailers willing to launch glocal marketing strategies in a foreign market. Of course, the centrality of cultural issues, resource management, private resources, innovative sectors and capacity building are among them, as shown in the examination of the case studies. However, not all of these prerequisites are fundamental to exist for an international retailer to develop a glocalization marketing strategy. When the intention of a firm is to launch a marketing campaign in a host market, the main inquiry to answer to is whether it is able and ready to respect the host culture. Only once the company learns how to properly integrate into its business corporate culture the local one, it can aspire to reach a sustainable competitive advantage. A glocal marketing strategy for China or any other country have to start with the comprehension of the target market as a tool for success. First of all, for international retailers aiming at succeeding in a new market, the proper and detailed analysis of the market is crucial for the right adaptation to the local conditions. It is useful to only to understand the strong cultural values, traditions, habits but also to gather general information about the market (size, growth, social trends and demographics). Then, one of the first priorities of an international retailer is to point out the segments where an effective glocal marketing campaign might possibly be launched, because, as demonstrated by the case studies, profiling potential customers, targeting the most profitable ones and defining the proper target market become fundamental for a successful glocal marketing strategy. Also, the glocal marketing strategies should be developed on the base of setting clear marketing goals fitting with the general vision and the local requirements. Furthermore, the choice of the right promotional tactics to attract
the attentions of the local play also a great role, affecting the success or the failure of the entire operation. Other key elements for a glocal marketing strategy operated by international retailers are the creation of solid relationships with the local entities; and then monitoring and evaluation of how effective the glocal marketing strategy has been, in order to being ready to counteract. That was another main difference in determining IKEA’s success and Home Depot’s failing. Anyway, the prerequisites of glocalization of marketing strategies don’t concern only the local adaptation, but also the choice of the right entry mode and the right time of the entry, as, once again, has been demonstrated by the comparison between the two case studies. As for the outcomes of glocalization of marketing strategies, the cases’ analysis helps to find out that international retailers can’t lose the potentially huge market in a state into which the number of home owners is increasing enormously from year to year. The following are the benefits and the outcomes of glocalization or adaptation: the international retailers that spend money and time in educating and preparing the market for its business might expect a proper reward, as happened to IKEA. Then, international retailers can rebrand their products and services through glocalization of marketing strategies, especially when entering emerging markets that are still growing. International retailers can meet local consumer’s by glocalizing their marketing strategies, so producing tailor made products on local requirements. As seen, the creation of unique products can represent an advantage when competing with other firms in the same very specific industry. Moreover, as a result from glocalization, the retailer’s corporate image is reinforced by respecting local government’s requirements and new opportunities rise that help to increase the R&D operation towards new and innovative developments.

3.2 Discussion of the research findings

The research shows that there is not exact formula for success that fits marketing strategies for an international retailer deciding to enter a host country, excluding unconditional acceptance and responsiveness to change. Indeed, the major issue is to never stop to adapt: for a marketing campaign to be successful, the integration of a local approach becomes essential, because, as seen in this paper, a one-size-for-all method is not a common reality. At some point, being able to shift the target audience and building a diverse promise are what makes the difference for an international brand. Nowadays, most of the huge companies are able to move production, exploit local sources or surmount legal requirements, but the major number among them is also ready to really tailor their proposition in a way that fits with the necessary development of the host market and the consumer perception. If international retailers like Home Depot or IKEA are willing to really be successful, they must change the already existing development strategies in the new country and find the right way to combine the corporate culture and the foreign market culture. As for the recommendations for other international retailers, this paper revealed that a nowadays
company should be adaptable and responsive in comprehending the necessities of the new local segment, but always considering the universal level of business marketing and management. When the goal is reaching a successful cross-border marketing campaign, it is crucial the conduction of a detailed and systematic research of the local culture, environment, lifestyle and mentality. Indeed, the local cultural and economic conditions particularly influence the motivation of consumption of the local population. Finally, as the result from this paper, it is highly recommended that an international retailer should study the proper communicative mode with the locals, since they are really affected by their cultural traditions, habits and conventions; avoiding in this way a blind entry strategy. To sum up, the capability to be adaptable to the local consuming needs plays a crucial role to sustain the development of an international retailers in a host market.

3.3 Limitations of the study and Recommendations for future research

A comparison between case studies like Home Depot and IKEA in China is useful to discover innovative empirical key concepts for international retailers approaching host markets. For this reason, this case study, combined with the successful example of IKEA, can represent an appropriate insight for other international retailers that want to penetrate just China, but also other host countries. Nevertheless, despite the contribution of this study, there are limitations mostly linked to the case study approach. Although the research analyses two different prominent companies, such as IKEA and Home Depot, the small sample size might limit to generalize the findings outside the contexts of international retailing industry or the Chinese market. Future research should develop empirical measures and quantitative analyses to provide a deeper understanding of the topic. In order to provide a greater study of the matter and to augment the level of generalization of the findings in different research areas, future researches might consider multiple case studies. Otherwise, another suggestion for future analysis could be to interview the companies’ top management, especially the ones working at the Headquarters in China, in order to get deeper information about the glocal marketing strategies they operate. Perhaps, future studies could also proceed with a study by comparison of the firms’ glocal marketing approach in other emerging oriental states or every other country in other continents that could be a relevant example. Finally, additional studies on international retailers in diverse Chinese sectors would be helpful for a better understanding of the principal competencies and resources necessary for a retailer who wants to enter a new market; to increase the external validity of the results, the analysis should be conducted about international retailers from several countries and other product sector.