

# **APPROACHES TOWARDS STANDARDIZATION AND ADAPTATION, PREFERRED BY MAJOR MULTINATIONAL COMPANIES OPERATING IN THE CONSUMER GOODS INDUSTRIES OF BANGLADESH**

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## **Introduction**

Multinational companies have expanded their operations since the protectionist barriers crumbled in the developing world. In the FMCG (Fast Moving Consumer Goods) Sector multinational companies are operating with developed technology, strong brand image seasoned marketing and management skills, superior products, and last but not least financial muscle. However, often the multinational companies face dilemma regarding the appropriate approach for desiring strategies different developing countries. They find it difficult to choose between standardization and adaptation. This study investigates view of some of the multinational companies in Bangladesh towards this Issue.

## **Literature Review**

Multinational companies have several subsidiaries as stand alone business units in multiple countries (Miorshnic 2001) They operate in more than one country and there is some kind of influence or control of marketing activities from outside the company in which the goods or service will actually be sold. Each of these market is perceived in be independent with a profit center in its own right. The strength of the multinational corporation solely depends on the forces of economies of scale, low trade and investment barriers, internationalization of operations within the boundaries of one firm and the diffusion of technology. In the last one decade or so, Big Mac, Nestle-, Unilever, Procter & Gamble, -Benson & Hedges .and so on have beconx<sup>1</sup> familiar names across the world. Whether people's tastes are becoming similar or not- that can be subject to debate, but the global prevalence of these multinational companies cannot be ignored (Hammond & Groose, 2003)

Hence, the question arises, whether the multinational companies should offer standardized products to all regions or not. For more than four decades, debate over the extent of international marketing standardized or adaptation has received significant interest from the academics and practitioners (Roper, 2005). There are two motives for the global i/ai ion oi marketing activities (Svensson, 2002). One is to take advantages ol opportunities for growth and expansion and the oilier is survival. U can also be

Illustrated that companies that (ail to pursue- global opportunities will eventually lose their domestic market, since they may be pushed aside by stronger and more competitive global competitors. Paswan & Sharrm (2004) argue that standardization is an effective approach as there ate people win. Welcome global goods and services in their original form.

Ryans, Griffith & White (2003) have postulated that the production era of the beginning of the last century was the advent of me concept of cost reduction by mass production. The increase of the number of producer, nude target oriented marketing more effective later on. However, in the era of globalization of marketing, standardization has regained its importance, OIK-can argue that standardization is pursued only to the extent to which it has a positive influence on financial performance. Which means that the ultimate relevance of standardization should be determined based

on its economic pay off. In an extreme case total standardization of the marketing programmed would entail offering identical product lines at identical prices through identical distribution systems with identical promotional programmers (Zou, Andrus and Norvell, 1997). However, a research conducted by Harris and Attour (2003) shows that small percentage of the multinational companies surveyed nukes total standardization of advertising, while the majority of the multinational companies surveyed practice considerably high level of advertising standardization.

In general, proponents of standardization have emphasized the rapid advances in transportation and communication technology that facilitate the trend toward homogenization of world markets (Levitt, 1983). The local standardization perspective emphasizes the trend towards the homogenization of markets and buyer behavior, and the substantial benefits of standardization (Zou, Andrus and Norvell, 97). By capitalizing on such homogenization »! consumer tastes and need patterns, firms can achieve cost savings and economies of scale in production, marketing and other activities through standardization (O'Donnell and Jcong, 2000), According to this view tin-advantages of standardization result m ultimate financial gains achieved by the firm. that marketers need to alter their strategic in accordance with different psychographic and ethnographic issues of the target markets. This implies that, because of the fundamental differences across markets ii is rarely desirable, or even feasible, for firms to achieve standardization of their marketing activities.

The degree of standardization varies depending on the type of j product. For example, consumer non-durables are difficult to standardize due to national tastes and habits (Catcora & Graham, 2001). Packaging and quality of ingredients of Reason .mil 1 ledges in Bangladesh are different from those in the UK.

O'Donnell , and jeong (2000) suggest that global standardization is more feasible for industrial products than for consumer products because buyers .are more homogenous purchasing behavior and demand for industrial products is more homogenous .across markets. Similarly industrial and high technology products an- UK in- suitable for standardization than consumer products. It is more applicable (or industrial products with few buyers and internationally agreed specifications. For example, the concept of global standardization is more appropriate for the aero-engines rather than beauty soaps.

Beamish, Morrison and Rosenzweig (1997) developed a matrix of die organization consequences of internationalization. The matrix shows how different companies respond to the pressures toward localization.

Figure 1: Organization consequences of Internationalization

High Pressure toward global integration	Aircraft Consumer Computers	Cameras electronics	Telecommunication
	Automobiles		
Low	Synthetic Cement	Fibers	Steel Clothing Packaged Foods
	Low Pressure toward localization		High

Source: Beamish, Morrison and Rosenzweig(1997).pp 143

Dawar and Foster (1999) believe that adaptation is generally perceived as the opposite of standardization. Differences among countries and nations in the form of social, cultural, aesthetic values, beliefs, education etc require adaptation instead of product and process standardization. Again, it is not enough to focus on a country as a whole; the differences between Muslim mainland of Indonesia and Hindu island of Bali cannot be ruled out (Hamilton, 2005). Firms in Slovenia, the Czech Republic and Hungary, rapidly acquiring the skills necessary to compete on the world stage, have adopted both general approaches to marketing as well as targeted actions, which have been influenced by the local environment (Sustar and Sustar, 2005). Over the last few years more than 100 global R&D centers have been established in China by leading multinational companies like HP, Microsoft, Motorola and so on to respond to the local need; (Williamson, 2005). Levin (1983) argued that changes in technology, societies, economies and politics are producing a global village. However, due to the huge differences in culture, climate, regulations, governing marketing, etc. among different countries it is difficult to develop comprehensive standardization of marketing mix. It has been a traditional dilemma of the MNCs regarding standardization and customization. Mesdag (1999, pp74-84) argues that "the obvious advantages are capturing economies of scale, reduced unit cost of products/services, reduced working capital requirements (inventories, administration, logistics), reduced marketing expense (advertising promotion etc)".

Goran Svensson (2002) argues markets are people, not products. There may be global products, but there may not be global people, there may be In-global brands but there are no global motivations for buying those brands. Hence, there are circumstances where a multinational company can gain benefits through increased standardization of its marketing mix. Approach of thinking globally and acting locally has got formidable interest among academics and practitioners. This suggests that the overall design follows a worldwide perspective, but the strategy takes into account the country's characteristics and cultural differences. By thinking globally and acting locally a company can move from thinking domestically and can take the global aspects into considerations, at the same time. Proponents of localization argue that the utilization of a global marketing strategy is based on a flawed assumption: the world is becoming homogenous. Localization advocates argue that standardization authors ignore the importance of culture (White and Griffith, 1997). Many companies in these days follow a subtle intermediary that makes possible to combine worldwide unity of the brand image and a perfect adaptability to the specificities of national expectations - known as globalization (Tixier, 2005).

On the other hand despite the stretch of globalization, people tend to remain connected to their indigenous cultures (Vandermerwe, 1998). People's attitudes and values are different from country to country, and because their values are different, so too are their responses to marketing communication and strategies. Still, it is argued that differences in cultures should not be considered as an impediment (or business across the nations and countries. On the contrary" it can provide tangible benefits and can be used as a competitive tool or as a basis of a competitive strategy" (Album, Strandkov and Duerr, 2002 pp 92-94).

Vrontis and Vronti (2004) explain that decision on standardization and adaptation is not dichotomous between complete standardization and complete adaptation. Rather, they argue companies to maximize their performance by integrating standardization and adaptation. The integration of these two approaches generates a new concept - Adap Standation. This is a balance between maximizing the gains of standardization and achieving optimum market share through adequate adaptation. However, the level of integration depends on a number of factors identified in the following diagram. The Adaptstandation approach hence, outlines different phases to be undertaken by different multinational companies in order to determine the level of integration. The model has presented a wider picture of the marketing mix elements including the three additional Ps

of services marketing (people, physical evidence and process management). In this research the focus will be on the consumer goods industry only.

## Methodology

Because of this objective, qualitative research is more appropriate for this study. This study is designated to explore different views of major multinational companies in FMCG sector of Bangladesh. The research has been guided by the phenomenological philosophy.

The phenomenology approach to research is so called because it is based on the way people experience social phenomena in the world in which they live (Remenyi et al, 2000). Phenomenological research locust", on the subjective experience of the individuals studied. As the term suggests, .at its heart is the attempt to understand a particular phenomenon (Robson, 2002).

### Figure 2: International considerations-leading to AdaptStand integration

It can be contrasted with the positivist approach, which treats the social world in the way it would be approached by the natural scientist something with which the phenomenologist would feel uncomfortable. Phenomenology is characterized by a focus on the meanings that research subjects attach to social phenomena; an attempt by the researcher to understand what is happening and why it is happening. Such research would be particularly concerned with the context in which such events were taking place. Therefore, the study of a small sample of subjects may be more appropriate than a large number as with the positivist approach (Easterby-Smith et al, 1991).

In this study, the process of primary data collection process complies with the phenomenological approach of research. Here a number of experts from different backgrounds have been interviewed to know about their personal views and experience about certain phenomena to the strategies used by the multinationals companies.

A number of globally renowned multinational companies are operating in Bangladesh. The research focused only on those operating in the goods industries. Hence, by the normal observation of the researchers Bangladesh Ltd., British American Tobacco Bangladesh, Nestle (India) Ltd., Procter & Gamble, Pepsi Co. Coca Cola were considered as the major multinational players. However, the first three have more direct involvement in Bangladesh comparing to the other three. Hence, for this research the first three major international companies have been chosen alongside with Procter & Gamble.

Top management of Unilever Bangladesh Ltd., British American Tobacco Bangladesh and Nestle (India) Ltd. were approached for the in-depth interviews. Mr. Shakil Wahid, Managing Director of Pritishahda Communication Ltd., local affiliate of Saatchi & Saatchi and one of the advertising agencies of Procter & Gamble, was interviewed. As P&G does have very limited and small-scale operations in Bangladesh, it can be assumed that a third person well aware about P&G's operations can be in a neutral position to evaluate their approaches.

Separate questionnaires were designed for each of the individual respondents. The questionnaires were semi structured and open ended. This was done to ensure that some peripheral issues through complementary questions could be discussed. A copy of the questionnaire was forwarded to the Human Resources Department of each of the organization. By reviewing the questionnaire the HRD recommended the name person of respective organization to be interviewed. This has helped the researchers to reach the most appropriate respondents of those organizations. Mr. Sraman Jha.

Manager Marketing & Head –CMI of Unilever Bangladesh Limited, Ms, Rumana Rahmun, Manager, CORA Marketing of British American Tobacco Bangladesh Ltd. and Mr. Ashraf-Bin-Taj, Senior

Culinary & Communication Manager of Nestle Bangladesh Ltd. were the three respondents from these three organizations. The appointment time for all these interviews was kept one hour. Small tape recorder was used while conducting the interviews. Hand notes were also taken to reduce ambiguity.

The research as a whole has not been conducted on the basis of any pre-determined hypothesis. Rather an open mind to the possibilities of the data and the perspectives of the subjects has been ensured for data collection and interpretation.

The interviewees were also provided with the scope to review their recorded responses in order to make necessary adjustment. Thus clearer versions of all four transcriptions were developed. After careful and critical review of the transcriptions both distinct and similar responses were picked up and grouped together. The final part of the interpretation analyzed these issues in relation to the initial literature review and other secondary data.

## **Findings**

Bangladesh is a small country with overwhelming population of almost 140 million. Majority of this population are based on the rural or semi urban areas. According to the last census conducted in the year 1991 around 17% the total population lived based in the major municipal cities and other urban places. Recent statistics provided by the Board of Statistics of the Government of Bangladesh shows that this number has increased to 20% (Statistical Pocket Book, 2001). This can give us an idea about the population distribution within the country. Again, amongst the urban population, the parity of income hardly exists. The huge disparity of the income level of the population is closely associated with the number of literates. National literacy rate of the country is 45.1% while the rural literacy rate is 39.1% and urban literacy rate is 57.7% (Statistical Pocket Book, 2001).

**Bangladesh as a Market:** Despite the aforementioned facts, Bangladesh is still regarded as a potential market by the all four respondents of this research. According to Mr. Jha, Marketing Manager and Head-CMI of Unilever Bangladesh Ltd, "Unilever consider, Bangladesh as a Developing market which means developing and emerging market - fairly large and potential market, which is still in developing phase". Mr. Asliraf-Bin-Taj of Nestle Bangladesh Ltd. believes that Bangladesh along with rest of the South Asia hold enormous importance because of the huge population and economic growth. He also argues that saturation and tough competition in the developed market have encouraged the multinationals to channel their investment in the developing and emerging markets. The net revenue of British American Tobacco Bangladesh amounted to BDT 24 billion last year according to Ms. Rumana Rahman. The figure is 50% of the cigarette consumption and only 15% of the total tobacco consumption of the country.

These huge potential does not rule out the economic dualism of Bangladesh like all other developing and emerging markets. Mr. Wahid of Pratishabda Communications attributes the huge disparity of the purchasing power of the people of Bangladesh as key reason for P&G's reluctance to extend its operation. In terms of its population Bangladesh holds huge potential. Only a small minority of this population can afford to purchase P&G's global brands.

The similar trend is echoed in Mr. Jha response when he mentioned the fact that only 50% of the population of the country does have any reach in television and among those only 30% do have access to cable networks. Bangladesh being the 7<sup>th</sup> country in terms of its population in the world is also the habitat of its 49% population living beyond poverty level. Nevertheless, Mr. Jha does not consider the disparity of income as an insurmountable issue for Unilever Bangladesh Ltd. Unilever is a believer in addressing the needs of maximum majority of the population. They do not sell expensive luxury items. They deal with basic consumer goods, Mr. Taj of Nestle Bangladesh considers that the

economy of entire South Asia is growing faster than ever. The total population of this entire region is more than 1.2 billion. Even the trends in Bangladesh show prospects for food and beverage product markets.

The following diagram can be drawn on the basis of the discussion with the four respondents.

**Figure-3: Factors determining the attractiveness of Bangladesh as developing and emerging market;**  
**Source: In-depth Interview**

**Product Development and Localization:** Apart from P&G other three respondents have been in Bangladeshi market for quite a long time British American Tobacco has been operating in Bangladeshi market since 1906. According to Mr. Jha Unilever is more of a local multinational company- a multinational company having operation in a specific region. Likewise, Nestle Bangladesh Ltd. Intends to be a local consumer insight driven company and British American Tobacco Bangladesh also values the local market dynamics. Procter and Gamble is not that interested about Bangladesh. The company has even reduced its operations in India. It is gradually concentrating its operations more in China and East Asia.

It appears through the interviews that apart from P&G all three of the companies are very keen to utilize the distinct nature of the local market. British American Tobacco Bangladesh in this regard has been religiously following the market dynamics. Being a manufacturer, British American Tobacco Bangladesh ideally would be more comfortable if there was a pack market. On contrary, the dynamic is very different in Bangladesh. In Bangladesh people predominantly buy cigarettes in sticks. Mss. Rahman of British American Tobacco Bangladesh does not want to attribute the economic condition or purchasing power of the population as a reason behind such buying behavior. Pakistan and Bangladesh have almost similar economic conditions. In Pakistan cigarettes are mostly sold in packs whereas in Bangladesh consumers mostly buy in sticks. Ms. Rahman considers it as a distinct market dynamic of Bangladeshi tobacco smokers.

Star filter is one of the fastest moving brands of British American Tobacco Bangladesh. This is very local brand. The product is offered to the lower income group of the market. While the upper end of the market is catered with Benson and Hedges the lower end is offered with Star filter. British American Tobacco does have a wide range of portfolio consisting 30C brands worldwide market (In-diverse preferences of adult consumers in different countries).

For Nestle Bangladesh Ltd. the understanding of the consumer insight is even more Mr. Taj of Nestle Bangladesh Ltd. referred to the drinking habit of coffee in Bangladesh and in Indian Subcontinent as . whole "Taste the day you start a vary popular and effective brand slogan of Nescafe in the western counties never proved m be successful in .1 tropical region like die subcontinent. Predominantly people take tea with their breakfast in this region. Coffee is considered J to be a more invigorating and refreshing beverage preferred by young; and upper segment of the market. Hence, Nestle Bangladesh Ltd. is presenting Nestle according to the perception of the local populace. Nescafe is available in small packs (sachet) lo make ii more affordable and convenient to the target consumers. Nestle Bangladesh Ltd tried with creamy chicken and creamy mushroom, which was not accepted by the local market. This experience was helpful when the instant soup was introduced to the market. The taste and flavor of the soup were kept in accordance with the local consumer preferences. Eventually, yearly sales volume reached 100 tons while one ton of soup means 80,000 servings.

Unilever Bangladesh Ltd. is very keen to extend its market towards the less affluent part of the population. The company is offering smaller packs (sachet) for its various popular brands like Close-Up, Sunsilk etc. This is rare practice in the developed markets, In the western countries like Europe and North America the concept of beauty is associated with less wrinkles, .inn aging skin etc. In a

tropical country like Bangladesh beauty is synonymous in fairness. Hence, Fair and Lovely is more appropriate for a market like subcontinent.

Thus one can argue that all of these three companies develop new products or customize existing products.

**Figure-4: Factors determining the development of product by some of the multinational companies operating in Bangladesh; Source: In-depth Interview**

**Marketing Communication and localization:** All four of the companies do use both locally produced and overseas advertisements. Multinational companies do have the advantage of using same advertisements in different countries. According to Mr. Jha in recent days a number of regional celebrities of South Asia have achieved global popularity. Hence, companies operating in this region are always tempted to make celebrity endorsement for their brands. However, all four companies believe that celebrity endorsement is necessary only if there is a requirement of any particular brand. Unilever, in this regard is sincere to patronize the creation of local stars. Use' of local celebrities by Unilever is not driven by the fact that smut- 1m a) companies are yielding success by following similar practice - according m Mr. Jha. He argue that Unilever tries to provide platform for people with talents nevertheless, it has is been observed that winners of "Lux (a brand of Unilever) Photogenic" contests have become Unilever's brand ambassadors Until very recently Unilever has been using print media (i.e. Ananda Dhara a local entertainment magazine) for this campaign . However, from tins year they started to use electronic media (i.e, Channel I, a local TV channel) for the same campaign. "Lux photogenic" contest has been replaced by " Hunting for Beauty Queen" contest. The growing popularity of the electronic media is the main reason behind this shift.

### **Conclusion:**

The study has been conducted on the four major multinational company in the FMCG sector. It will not be prudent to draw any final conclusion from the study. However, following notions can be underpinned by study.

- Bangladesh offers a development and emerging market, which is still in its groeth stage.
- Multinational companies operating in Bangladesh are quite concerned with the economic dualism of the country.
- Culture, purchasing power of the target market and legal issues are the main factors that enforce the multinational companies to adopt their marketing strategies in Bangladesh. However, the degree of customization vastly depends on the size of the target market.
- Corporate social responsibility is a key concern for developing marketing strategies. Multinational companies want to develop themselves as good corporate citizens of the country.
- The respondents do not commit to any specific approach- global standardization or country specific adaption. They prefer to make a combination of both- which can be identified as the adaptstandation mentioned by vrontis & Vronti (2004)