

THE UNIVERSITY OF HULL

**Integration of Standardisation and
Adaptation Marketing Mix Strategy
Reference**

to

Shiseido Company

in UK and China

**Being a Dissertation submitted in partial fulfilment of
the requirements for the Degree of Master of Business
Administration (General) in the University of Hull**

by

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Abstract

Every multinational business is faced with a very important marketing decision: to standardise or to adapt its marketing mix? This case study outlines a theoretical exegesis of global standardisation and international adaptation, presents these two perspectives. The debate between these two concepts is explored and their respective benefits considered.

Subsequently, the role of the marketing mix and strategy are examined in relation to the above approaches along with the consideration of the various factors, which suggest a particular marketing mix approach.

Furthermore, this research presents the factors that influence the company to adapt its marketing mix while maintain its standardisation strategy. Those factors are examined include political, economic, cultural, physical condition, technology, product life cycle, competitive factor, organisational factor, the nature of the product, and the target and positioning strategy.

In facilitating the comprehension of the above task, Shiseido – a Japanese based cosmetic company in China and U.K. market are utilised to exemplify and discuss the way that Shiseido Company addresses the integration of standardisation or adaptation issues. It will show the different degree of adaptation based on the standardisation in Chinese and U.K. market.

Contrary to the research propositions Shiseido in Chinese market was found to adapted aspects of its marketing strategy to a greater degree than its U.K. counterparts with product, promotion displaying the highest level of standardisation and distribution and pricing activities being slightly adapted to host market.

The preliminary results of this research, therefore, appear to add to the existing confusion in the standardisation and adaptation debate. As a result, further research is needed to finding out the perfect pint of the integration of standardisation and adaptation.

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Introduction

Our evening news constantly reminds us that we are, indeed, living in a global village. We hear about China, South Africa, Eastern Europe, and other remote places. The world increasingly is becoming a global village, with its marketplace stretching across every continent. (Stanley, 1993). Such international competition makes international marketing become one of most critical skills for business survival in today's world economy.

Therefore, the appropriate international marketing strategy is vital and essential for a Multinational Enterprise and the primarily of a international strategy concern is Adaptation or Standardisation in the world marketing field. (Roger, 1995).

For decades a key debate in international marketing has been the question of whether it is more appropriate to pursue a marketing strategy based on standardisation or adaptation (Vivienne & Tobias, 1999). Despite the long-standing interest in the topic, it is apparent that there are sharp differences interests in this topic. There international marketing philosophies argue they are the right one and have emerged as the poles of a continuum which offers marketers contrasting approach to the task of entering and serving foreign markets: Standardisation, Adaptation, Integration of Standardisation and adaptation. (Sangeeta, 1999)

Research Objectives

My study present these three perspectives and dropping into the third argument school and discussing the way how Shiseido company tackles the standardisation –adaptation issues and the external and internal factors that faces in Chinese and U.K. market.

Managerially, due to increasingly global competitive and economic pressures more and more business is forced to globalise or adapt their international marketing strategy. As a result, managers are constraints to change the way in which they conduct their business and marketing strategy in order to compete effectively in the

global marketplace. It would be therefore be useful to identify the environment and, in particular, the organisational factors that the MNC managers can leverage in order to improve their marketing strategy.

Hence, the objective of this research is to increase understanding of the decision choices available to marketing directors and managers of multinational companies, in integrating both standardisation and adaptation strategy. Thus, the key research question in the study is: How does the international market internal and external and organisational factors impact on the outcomes of Multinational company's Global Standardisation and International Adaptation strategy?

This will be answered by applying the 'AdaptStand Approach', investigating and analysing the ways that Shiseido Company currently performing based on a number of factors. (Culture, Economic, Technology/ Market infrastructure, Political environment, Sio-cultural factors, Competitive factor, Product characteristics, Organisational factors) Aiming to achieve both customer satisfaction and organisation success.

From a research perspective, the case study method adapts to examine the fourth largest cosmetic company: Shiseido. The reason Shiseido (China and U.K) has been chosen as a consequence of its widespread penetration of the international cosmetic market. China market delegates developing country and emergency marketing with the huge population in the current world, at the same time, U.K. would be a historic developed European country and the typical example of developed market with older customer dominating population structure.

In additional to the theoretical and conceptual limitations, the study that test the Integration of Standardisation and adaptation strategy model also have a few methodological limitations, such as focus on cosmetic industry and Japanese based Shiseido company (e.g., Cavusgil & Zou, 1994) and simple methodology (e.g. Ganesh, Kumar and Kotabe, 1996). Furthermore, despite the increasing importance of MNC in the global economy, research on MNCs remain scare, partly due to the 'difficult of studying these complex organisations' (Nohria and Ghoshal, 1997, p.vxi)

Structure and Organisation of the Dissertation

The main format of my thesis followed by “MBA dissertation Feedback”¹ form.

This paper is divided into three parts in terms of seven chapters. The first part introduce the choice and description of Methodologies and theories, second part address the problem situation and application of the theory, last part outline my discussion, learning and comprehensive through the study. Nevertheless, each of these parts are somewhat related and as such the chapters will be regularly referred to in this dissertation, in any one chapter. This attempt is made to draw a more realistic picture of the different sections so that it reflects both theory and the real world.

The first part consists of two chapters to introduce the theory and methodology

Chapter 1 is concerned with the basic concepts of international marketing in order give the reader more comprehensive to my study. I will introduce the international process from domestic marketing to international marketplace further as to global marketing, and the clearly definition of globalisation, standardisation and adaptation, and the significant differences and relations between them should be addressed. This chapter will also attempt to outline other literatures’ argument in standardisation and adaptation marketing strategy of MNC, drawing the clue of the theory choice of my study.

Chapter 2 introduces the theories and methodologies employed by this research. After discuss related methodology I should use, I conclude that a case study is the most suitable method for my research purpose: examine how the internal and external factors influence MNCs’ standardisation and adaptation strategy. Regarding the theory, this chapter will describe ‘Vrontis’s AdaptStandard framework of integration’ which outline number of reasons and factors influence MNC adapt or standardise their marketing strategy.

¹ “MBA Dissertation Frame form” designed by Hull University MBA course leader—Ms Mandy Brown. It comprise Introduction, Description of problem situation, Literature review, Choice , description and application of methodology and theory, Recommendation, Discussion and Learning, Conclusion.

The second part of my thesis comprises 3 chapters, which present the application of 'AdaptStandard' framework.

Chapter 3 stresses the problem situation – Shiseido's company background. Shiseido is the fourth largest Japanese based cosmetic enterprise. It was founded in 1872, Its internationalisation is from 1957, Over the years Shiseido has been one of the dedications to high quality, high image and high service. It also becomes the famous Globalisation Company, which has many branches It has done well over a century and in cultures and countries around. However, Shiseido entry different market employ different degree of integration of standardisation and adaptation marketing mix. It is obviously that a higher degree adapted marketing mix employed by Shiseido entry Chinese market than develop in U.K. e.g. A adapted unique product line—Aupres developed exclusively together with lowest price serve current Chinese market.

Chapter 4 attempts to examine the need to integrate Standardisation and Adaptation by evaluated external and internal and organisational factors effectively. AdaptStandard approach is applied to exemplify how those internal, external and organisational factors drive Shiseido' marketing mix towards adapting in Chinese and U.K. market. Those Factors has been critically examined in the discussion include: Culture, Economic, Technology/ Market infrastructure, Political environment, Socio-cultural factors, Competitive factor, Product characteristics, Organisational factors.

Chapter 5 will contribute my recommendation to Shiseido after Comparatively examine its marketing mix in Chinese and U.K. market. When a company decides to begin a new market, we could not say Standardisation or adaptation, or decide which element of the marketing mix should be adapted to what extent without consideration of various factors. However, through apply Vrontis' AdaptStandard approach we find that pricing normally need a highest degree of adaptation followed by promotion, on the other hand, Product has the highest index to be standardised. Shiseido company in China adapted all its marketing mix, so, I recommend for Shiseido entry a developing country should employ a high degree of adapted marketing mix, oppositely, entry a developed county need a marketing mix more towards standardisation.. The optimum point needs more research.

The third part of my research considers my discussion and comprehensive learning.

Chapter 6 explores my discussion of implications of standardisation and adaptation. As a company's international marketing is inter-related with its business strategy, the more higher degree of Adaptation, the more wider of its diversification. The firm will consider the issues: how to deal with the cross cultural management and how to struggling with the change. Furthermore, higher extents of standardisation will always facing the challenge how to increase its competitive edge. Finally, I also discuss the advantages and disadvantages relate to its corporate strategy.

Problem Situation

Within the field of international marketing, the debate over the amount or extent of standardization or adaptation is one of the longest. Researchers and academics such as Levit(1983) and Yip (1996) see markets as becoming more similar and increasingly more global and believe that the key for survival is a company's ability to globalize. Organizations should adopt standardization across their marketing mix elements and marketing strategies.

However, the fundamental basis of international adaptation school of thought is that the marketer is subject to a new set of macro-environment factors, to different constraints such as language, climate, race, topography, occupations, education, taste, and to quite frequent conflicts resulting from different laws, cultures, and societies (Van Mesdag, 1987,Czinkota et al, 1998). Adopting this approach would mean that multinational companies should have to find out how they must adjust an entire marketing plan in order to best fit new market demands, suit local tastes, meet special market needs and consumers non-identical requirements

Above are two diametrically opposing views, but which one is correct? The correct answer is that the Multinational Company (MNC) actually need a marketing strategy that integrate both Standardization and adaptation. This suggestions first published by Quelch & Hoff in 1986, continued by Choi et al (1996), Dicken (1998) and Vrontis (1999)

In reality, Majority Multinational Company are employing a comparatively integrated standardization and adaptation marketing strategy. e.g. Some typical standardised MNC like Coca-Cola and McDonald's although assumed to offer a standardised product all of the world, do slightly adap its product. For example, McDonald's use chilly sauce on hamburgers in Mexico instead of Ketchup, offers beef burger in German and wine in France.

It is evident that MNCs should identify the degree to which they need to standardise or have to bow to local information (Paliwoda, et al, 1998). Optimizing performance depends upon the influencing of environmental and organizational factors.(Boddewyn et al , 1986; Prahalad et al , 1986; Choi, 1996; Dicken, 1998; Terpstra et al , 2000)

In summary to the enormous literatures comment on the integration of the standardisation and adaptation, however, it is very rare for somebody to really apply specific cosmetic MNC to examine how do those internal, external, and organizational factors affect its integration and adaptation marketing strategy.

Moreover, the present literature outlines the reason and factors associated with adaptation and standardization, but it fails to reveal to what extent those factors influencing the standardization and adaptation. Consequently, this research seeks to identify those factors and examine how do them affect Shiseido's standardization and adaptation strategy in developing and developed country.

Chapter 1 Theoretical Background

This chapter introduces the basic concept of the international marketing standardisation and adaptation, and other literatures' work in standardisation and adaptation of international marketing mix strategy.

1.1 Standardisation and Adaptation within International Marketing Context

Michael and Ilkka (1988) define international marketing is concerned with the planning and conducting of transactions across national borders to satisfy the objectives of individuals and organisations. Terpstra and Sarathy (1997,p.9) comment that 'international marketing manager has a dual responsibility; foreign marketing (marketing with foreign country) and global marketing (co-ordinating marketing in multiple markets in the face of global competition).

Thus, how international marketing is defined and interpreted depend upon the level of involvement of the company in the international marketplace. (Doole &Lowe, 1999) Therefore, international marketing could be: Export marketing (firms markets its goods and/or service across national boundaries), International marketing (the marketing activities of an organisation include activities, operations in more than one country and where there is some kind of influence or control of marketing activities from outside the country are typically perceived to be independent and a profit center in their own right, in which case, the term multinational or multi-domestic marketing is often used), Global marketing (Here a company co-ordinates, integrates and controls a whole series of marketing programmes into a substantial global effort. the whole organisation focuses on the selection and exploitation of global marketing opportunities and marshals resources around the globe with the objective of achieving a global competitive advantage). Thus, the key process of international marketing is start from domestic marketing to international marketing, and finally reaches global marketing.

However, the definition of international marketing will usually drop into the second one, and Global marketing always refers to the globalisation. (Waters, 1995)

Globalisation is a business initiative based on the belief that the world is becoming more analogous and that differences between national markets are not only fading but for some products will eventually disappear. (Czinkota & Ronkainen, 1996)

Standardisation involves the offering of identical product line at identical prices through identical distribution systems, supported by identical promotional programmes in several different countries. (Deirdre, 1999) On the other hand, Adaptation concerns the completely “Localised” marketing strategies which contain no common elements whatsoever (Bradley, 1995)

Hence, normally, when we talk about Globalisation, will related to standardisation marketing mix, on the other hand, International marketing always coming out with adaptation strategy. Within the field and literature of international marketing, when a company decides to begin marketing products abroad, a fundamental decision is whether to use a standardised marketing mix and a single marketing strategy all countries (globalisation/ global standardisation) or to adjust the marketing mix and marketing strategies to fit the unique dimensions of each local market (Internationalisation/International adaptation)

1.2 Global Standardisation or International Adaptation: Literature review

We live in an era of change. Holberd and Brue, (1996) highlight the huge move that has been made from local to regional, regional to national, national to international, international to global. With ever increasing improvements in transport, communication, and reduced trade barriers, international trading which was once considered a luxury is now a necessity in many sectors (Vrontis, D. et al 1999).

Once a decision to venture into international markets has been taken, there are two broad strategies, which can be adopted. A fundamental strategic decision has to be made immediately as to whether to employ a uniform marketing mix as part of a global strategy or whether to adjust the marketing mix to take account of the unique characteristics of each local market. (Hax, 1989)

Until today, international marketers have been challenged with the question of whether to “standardise” or “adapt” their marketing strategies (Rosenbloom, B., T, Larsen & S. Metha , 1997). Within the field of international marketing, the debate over the amount or extent of standardisation or adaptation is one of the longest.

The recent debate on Standardisation and adaptation first appeared in the 1960s but it has now re-appeared with a fresh vitality due to the controversial sweeping statements of the likes of Professor Levitt (1983) and Lynch (1997) Writers on globalisation support them while others strongly oppose them and the key writers on this topic include writers like Douglas and Wind (1987) and Chang, (1995). However, recently years a certain consensus has emerged which acknowledge that Standardisation and Adaptation is co-existing. Like Quelch & Hoff (1986), Akaah (1991) Wang (1996) and Vrontis (1999)

1.2.1 Global standardisation school

The fundamental basis of the global standardisation school of thought is that the customers needs, wants and requirements do not vary across various markets and countries. They believe the world is becoming increasingly homogenised in its customer requirements. As they argue, standardisation of the marketing mix elements and creation of a single strategy for the entire global market promise including other lower costs, consistency with customers and uniformity associated with world-wide branding and customer mobility.

After Elinder, the standardisation thought has then been continued by Roostal (1963), and Buzzell (1968), further developed by Levitt (1983) and Gary &Prahalad (1985). This debate has attracted the high interesting of many academics and practitioner and still today with us.

The main proponent of the global standardisation strategy is Professor Theodore Levitt who teaches in Harvard Business School. In his famous 1983 article, 'the Globalization of Markets', he argued for globalisation. He wrote it with great enthusiasm, at times touching on the comical side, which had a great impact on the globalisation debate. Furthermore he regards the process of globalisation of markets as a 'model'. A 'model' where the world will move towards one direction and nothing can alter it from this one direction! In order for businesses to survive they must learn to operate viewing the world as one large market ignoring superficial differences at the regional and national level. Add to that he believed that in time these differences would disappear to form one large market!

He also gives the examples consider the cases of Coca-Cola and Pepsi, which both successfully cross multinational, regional and ethnic taste buds trained to a variety of deeply ingrained local preferences of taste, flavour , consistency, both tangible products like cigarettes steel, cars, motorcycles, robots, microprocessors, and intangible products like banking, shipping and soon computer software, etc.

Surprisingly Levitt did not think through this assertion that factors within the business and factors from the environment may impact on this process. This is just one point in

his argument that has been found open to question, which Douglas and Wind (1987) have highlighted and developed at length in the latter part of their articles - 'Myth of Globalisation',

1.2.2 International adaptation school

The supports of international adaptation approach stress that differences between overseas markets in terms of market, technology, political, economic, cost and environmental factors require marketing activities which take specific country requirements into account. (Hout et al, 1982; Kotler, 1986; Boddewyn et al, 1986; Barlett & Ghoshal, 1987; Douglas and Wind, 1987)

They believe that multinational companies should have to find out how they must adjust an entire marketing strategy and, including how they sell, and distribute, in order to fit new market demands. Altering and adjusting the marketing mix determines and marketing strategy is essential and vital to suit local tastes, meet special market needs and consumers non-identical requirements.

Douglas and Wind (1987) from his article "the myth of Globalisation" states that to 'sell the same products in the same way everywhere' as 'naïve and over-simplistic'. As regards economies of scale Douglas and Wind (1987) argue that the key force driving strategy is not standardisation but adaptation. The aim of their article is to critically examine the proposal that global market success requires the adoption global standardisation strategy. This leads onto their view, which is a broader perspective on globalisation that it is merely one of many strategies to global success. After preliminary introductions they provide a background for the article by looking at the traditional perspective on international strategy. Next, they get into full swing of their critique of the global standardisation strategy by examining the arguments in favour of the standardisation philosophy and its three main underlying assumptions. Subsequently following it up with a detailed account of the dangers related to each of the assumptions. These assumptions suggest that this strategy is not appropriate for all products and companies so they go on to discuss the requisite conditions for it to be successful. Even if the conditions are right the two authors bring to light the internal and external factors which can restrict the firm's ability to implement the strategy.

The advocates also give the examples that the French do not drink orange for breakfast, Middle Easterners prefer toothpaste that tastes spicy, that Japanese prefer herbs in their cold machine, and black is the colour associated with death but white is colour of death in China. “All this has left Theodore Levitt, who popularised with the global strategy, stumbling on Madison Avenue” (Lipman, 1988).

Both schools seem to support their arguments with evidence and highlight the advantages and benefit that a multinational company could gain by acquiring such an support. However, in recent year, a certain consensus has emerged --the third school which argue that neither of these polarised views is feasible or even desirable.

1.2.3 Adapted standardisation school

Those supporters of third school acknowledge that the crucial issue is not so much whether to use a standardisation or adaptation strategy but rather to what degree international marketing strategies should be standardised. (Quelch & Hoff 1986, Akaah 1991, Yavas et al 1992, wang 1996, Vrontis 2000, Boutzikas 2000).

Quelch & Hoff (1986) suggest that the decision on standardisation or adaptation is not a rigid ‘either /or’, but rather that there is a wide spectrum in between and there are degrees of standardisation. The classic example is also Coca-Cola, which is branded as the same the world over, but which in fact is more or less sweet/bitter/carbonated depending on the country in which it is sold.

As a practical matter, standardisation and adaptation are not clear-out issues to be used solely. The supporters argue that in reality, neither of these polarised view is feasible or even desirable and it seems that adaptation and standardisation co-exist. It is indicated that the standardisation decision is not rigidly applied as the correct posture as a result of organisational and macro and micro-environmental differences and constraints (Vrontis & Vronti, 2000)

At the very beginning of year 2000, Vrontis² in his article “ Global standardisation and /or International adaptation” has developed outlines the underlying reasons of why multinational companies adapt or standardise their marketing mix elements. He continues to state that it is therefore essential for the international strategies to search for the right balance between standardisation and adaptation, as it is only by identifying the correct balance of integration that a company could be competitive and successful within its international competitive market place.

In the research, Vrontis discovered both factors and the level of integration and presented them for consideration to marketing practitioners. By adopting a postal questionnaire survey of the 500 biggest U.K. based multinational companies across five industrial sectors. Data collected from 124 respondents quantitatively by using S.P.S.S³ and Excel statistical package. Thus, a theoretic framework ‘AdaptStandardisation’ is stressed.

It is evidently proven that adaptation and/or standardisation varies depending upon the individual elements of the marketing mix (Vrontis & Vronti, 2000). He also states that in certain circumstances, it may be appropriate for a company to standardise one element of marketing mix such as product while adjusting another element such as promotion campaign. This integration of adaptation and standardisation driving a company towards optimising performance is extensively researched and developed by Vrontis’s AdaptStandard approach⁴ in international marketing.

They still state that the first and second school’ working are exclusive use is too extreme to be practical and the truth, it seems to me, lies in neither of these two polarised positions. The goals of reducing costs and complexity lead companies to consider standardisation, while a customer orientation sways them toward product adaptation.

² Doctor D. Vrontis is a lecturer in international marketing and a chief of International Marketing Research Group (IMRG) at Manchester Metropolitan University, U.K.

³ S.p.s.s. Statistical Package for Social Sciences.

⁴ ‘AdaptStand’ Approach is basic frame work of Adaptation and Standardisation school, which is developed by D. Vrontis. Details see chapter 3 of my thesis

Later of my paper will focus on how the Shiseido Company tackles the standardisation or adaptation issues and the internal and external factors in China (developing country), and U.K. (developed country) by applying Vrontic's AdaptStandard approach.

Chapter 2 Theory and Methodology

This research utilise a case study to Japanese based Cosmetic Company-Shiseido by apply Vrontis's 'AtaptStand' Approach, to examine factors influence Shiseido's integration of standardisation and adaptation of its marketing mix strategy.

2.1 Choice of Methodology

Many researchers attempted to use quantitative methods to approach the questions of standardisation vs. adaptation. For example, Shaw and Richter used self-completion questionnaire addressing to the CEOs of the top 500 German and British companies for their study of marketing mix standardisation. Akaah(1991) who studied the degree of marketing programme standardisation of the top 500 American companies.

However, there are a number of reasons, which persuade me from this approach for this research project.

Firstly, trying to have the respondents to give a score to a business factor is in assumption that the respondents are all have the same, or at least similar, sensitivity of that business factor. Obviously, it is the story never happens.

Secondly, research shows that senior executives in multinational companies are the hot targets of many business researchers. Due to their heavy workload, they usually have to ignore many questionnaires or delegate this job to their subordinators. In Shaw and Richter's research, the response rate is only about one sixth.

Thirdly, because of the competitive nature of the business, much of the financial, marketing, advertising and promotional information of a multinational company is considered confidential and is not available to outsiders in the form of questionnaire, especially the questionnaire touches a relative deep layer of a company's strategy.

Fourthly, mailing and follow up with hundreds of companies are time and resource consuming. Given the limited time frame and resource availability for this research project, this methodology seems too luxury.

Instead, I believe a case study strategy seems more suitable for this research.

Theodorson and Theodorson (1969) explain that a case study is a method of studying phenomena through the thorough analysis of an individual situation. It provides an opportunity for the intensive analysis of many specific details that are often overlooked with other methods. This approach rests on the assumption that through such intensive analysis, generalisations that will be applicable to other cases can be made. It provides the opportunity to examine the relations among the many facets of a phenomenon as well as changes in the phenomenon over times. Case studies look for specificity, exceptions, and completeness. Case studies are useful as a means of searching for patterns of business behaviour that have avoided or corrected failures or that have been successful.

A frequent criticism of case study methodology is that its dependence on a single case renders it incapable of providing a generalising conclusion. Yin (1993) presented Giddens' view that considered case methodology "microscopic" because it "lacked a sufficient number" of cases. Yes, it is the limitation of case study. However, as the purpose of this research project is to understand the environmental factors' effect on company's international marketing adaptation at a relative detail level, choosing a suitable size of the sample for an intensive analysis seems more important. Therefore, in stead of targeting a number of companies, I decided to carry out an in-depth analysis of the international marketing strategy of a single multinational company. That will enable me to focus all available resources to a single point and dig into a deep layer within a limited time frame. The result could be a prototype for a further study in a more complex environment.

2.1.1 Choice of Study Case

Next step is to choose a company for the case study. The criteria for the Candidate Company are quite deliberated.

- 1) The company should be a multinational enterprise with significant business in both domestic market and international market. The company should act very aggressively towards global marketing. This is to ensure the sample is worth to be explored.

- 2) The company should ideally not be in a specialised industry, such as military, commodity industry, as I need a company, which could better represent the majority of the business world.

Based on these two criteria, my favourite cosmetics manufacturer, Shiseido, popped into my vision. The company is in the cosmetics and personal care industry, which could well represent the general consumer product industry. Shiseido has an annual sale of USD5 billion with 15% of its sales generated from its overseas operations in more than 60 countries. It not successfully leads the market in the Asia Pacific area, but also establishes good reputation in the western world. Therefore it is a good company worth exploring its international marketing strategy.

2.1.2 Information Collection

Due to the fast development of cyber space, today, virtually all sorts of information is available in the word wide web. Although most of the information is stored in an unstructured form, with the assistant of third party service providers, such as search engines, our efficiency of information searching improves significantly. Most importantly, Internet enables me to collect geographically dispensed information in an inexpensive way. This feature is vital to my research, as it is about international marketing. Therefore, I use Internet as a main tool to collect the data.

The information is searched in several types of resources.

- 1) Shiseido Website

Shiseido has a very informative main website www.shiseido.com. Like most of her competitors, such as Ester Lauder, L'Oreal, the website describes the company and her products in a very tactical way. Moreover, it provides much information regarding its business strategy. Of cause, as a listed company, a full set of annual report is available for download. Interestingly, Shiseido not only has its main site, but also has different sites for different areas and different brands.

I can not only collecting information by downloading her web content, but also can understand the way the company did her business by looking at the web structure and web style.

2) Cosmetics & Personal Care Industry Related Site

This type of web sites often contain information about industry environment, market size, market share allocation, competition, as well as experts' view of the industry. These information's provide a bench mark for the case study and also describe the environments effecting the industry. Occasionally, I can find articles or news regarding Shiseido herself.

3) General Business Web Site for the analysed region

The regional character of the environmental factors is often available in this type of web sites. However, the information is in the form of pieces and bits.

4) Beauty Sites

The audience of these websites are consumers of beauty products. These websites often contains the consumers' view about beauty products, which can form another viewpoint of Shiseido and Shiseido products.

5) Online Shopping Site

By looking at the online shopping web sites located in different region, I am able to understand what are the main products sold in which region and what are price difference among regions.

6) Electronics Journal

By searching electronics journal database, I was able to search related articles from hundreds of journals.

Besides that, some information including other literature's works was also collected from International marketing Journal, Harvard Business School and other marketing Journal in HULL University Library.

In order to comprehensive the AdaptStand theory, I went to Manchester Metropolitan University interviewed Professor Vrontis, who is the founder of AtaptStand theory and gave much important information about other literatures research results in my research field.

With substantial information from various resources, I have the confidence that the case could be described and analysed in a relative objective and neutral way. However, it is a pity that I do not have the chance to interview the management people of Shiseido, which will help to draw a clearer picture of Shiseido's company strategy.

2.2. Choices and Description of theories

There are several theories employed in my study. Firstly, I will apply ‘AdaptStand’ framework to examine how do internal, external and organisational factors influencing Shiseido’s standardisation and adaptation marketing strategy. Secondly, Competitive analysis

2.2.1 AdaptStandard Approach

AdaptStand Approach (see Figure)exemplifies why multinational companies adapt or standardisation (Inner part) or integrate the two approaches together (Outer part) to achieve optimum results.

As my opinion of Standardisation and Adaptation drop in the third field which argues that the purpose of my research is to increase understanding of the decision choices available to marketing directors and managers of multinational companies, in integrating both standardisation and adaptation strategy. Those important environmental and organisational factors are critical to my study. Due to the standardisation and adaptation is the latest area for international marketing to develop, there is a few theory I could use to support, therefore, ‘AdaptStandardisation’ is the best choice of my main used theory.

The central part of the framework illustrates those benefits that have emerged after a detailed investigation of the subject. It goes over the marketing mix elements (seven P’s) and highlights their necessity and benefits over international adaptation or global standardisation.

The outer part of the framework illustrates that the correct level of adaptation and standardisation depends firstly on products or services’ characteristics (type of product or service), secondly on targeted countries’ similarities or dissimilarities in comparing them with the home country (market position and market environment) and finally on multinational companies’ organisational and financial factors.

Starting with products or services characteristics, some products or services are more global and require less adaptation on the whole. Pocket calculators, credit card facilities, and lubricating oils need few international adaptations, whereas toilet soap and candy require rather more adjustment. Consumer non-durable, such as food products, generally shows the highest amount of sensitivity toward differences in national tastes and habits. Consumer durable, such as cameras and home electronics are subject to far more homogeneous demand and more predictable adjustment (for example, adjustment to a different technical system in television sets and videotape recorders). Moreover, it is argued that standardisation is more feasible for industrial goods such as steel, chemicals and agricultural equipment and in technology-intensive industries, such as scientific instruments or medical equipment rather than for consumer goods. Industrial products typically fill specific needs that do not vary greatly from one country to another. In contrast, consumer markets are more likely to be context sensitive. Consumer preferences across national borders are more likely to be idiosyncratic to local cultures, value structures, tastes, economies, needs and wants.

Secondly, certain elements of the marketing mix or marketing strategies may need little or no adaptation, if similar with the home country, and more adaptation in others whose dissimilarities are obvious. This depends on how similar or dissimilar is the desired target country and the people within it from the existing home country (market position and market environment).

Market position is seen in terms of market development, market conditions such as cultural differences, economic differences, and differences in customer perceptions in foreign markets, and competitive factors. Market environment on the other hand, is of equal importance as it is concerned with differences in physical conditions of a country such as climate, topography, and resources, differences in laws about product standards, patents, tariffs and taxes, political environment, and marketing infrastructure. This last consists of the institutions and functions necessary to create, develop, and service demand, including retailers, wholesalers, sales agents, warehousing, transportation and credit media.

Fourthly, there are the organisational factors. Organisational factors are concerned with corporate orientation, headquarters-subsidary relationship, delegation of authority, and organisational financial capability.

The outer part is expanded and illustrated in figure 2.

Figure 1: Vrontis' *'AdaptStand'* Framework for International Marketing

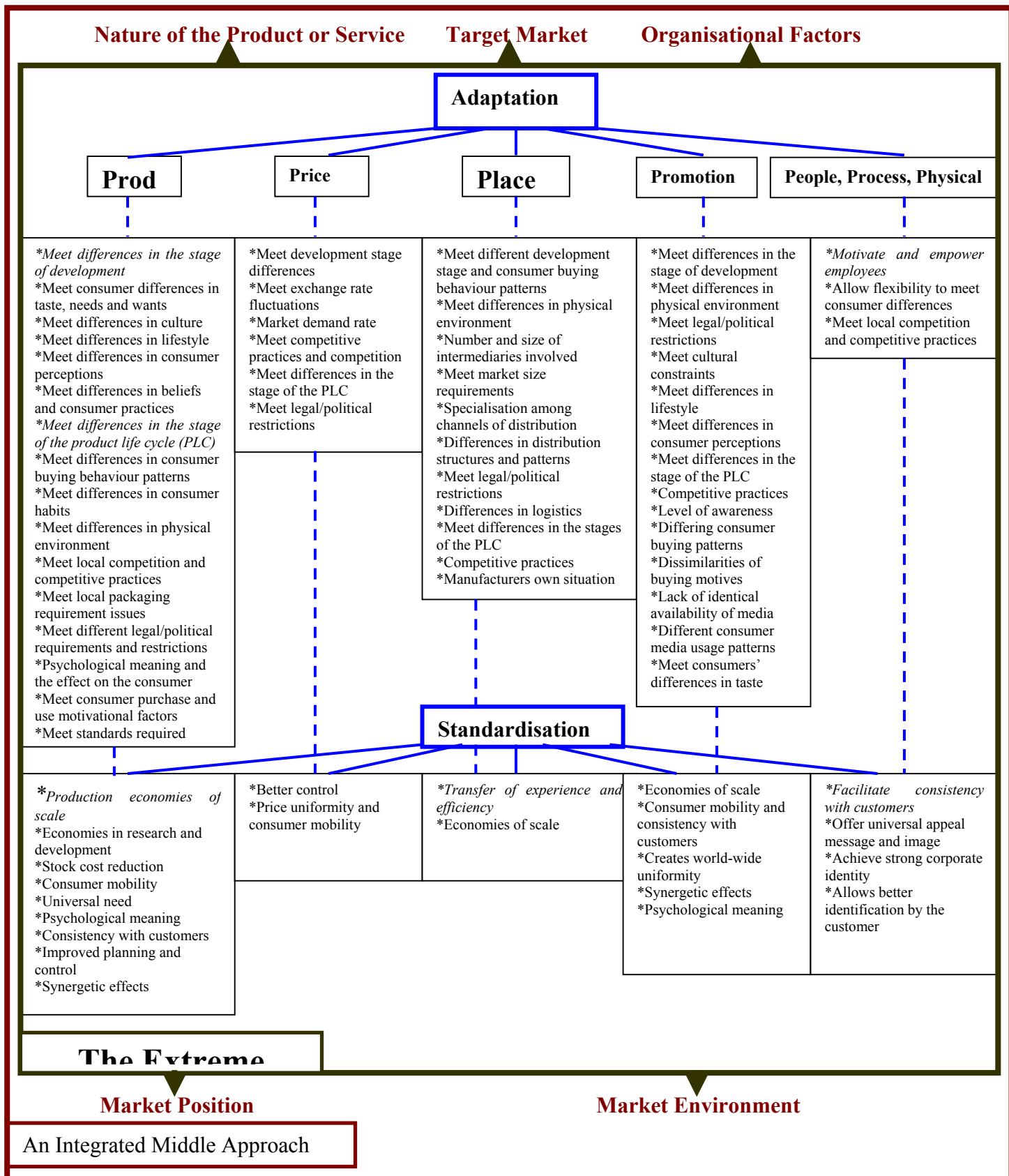
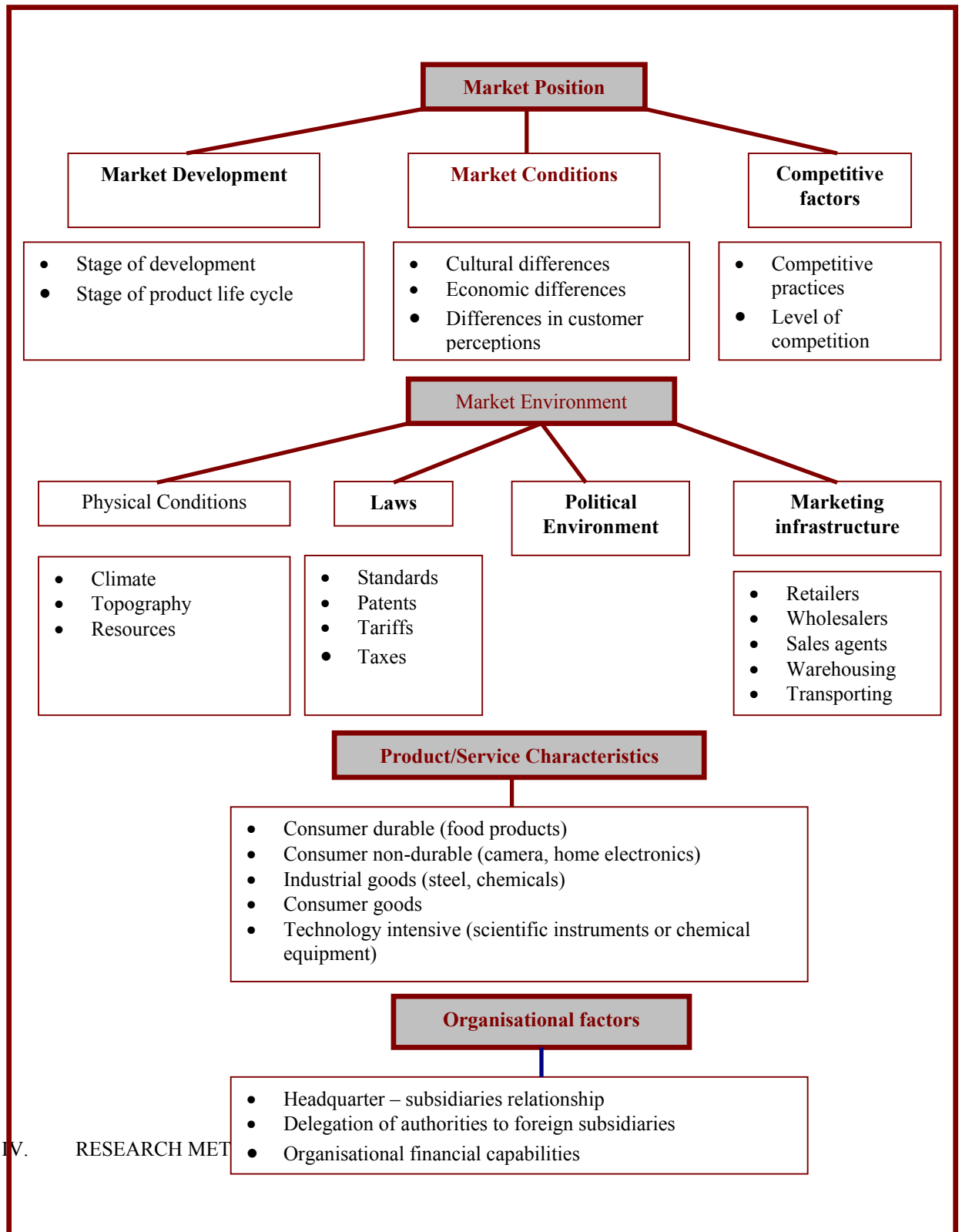


Figure 2: Vrontis' *'AdaptStand'* Framework - the outer part



2.2.2 Competitive Analysis

Competitive analysis, which has been discussed by Porter, M. (1979) in his five forces model. This situation assessment can include a view of the competitive positions in the market, again an important element when devising strategy.

These forces are 1. Threat of new entrants 2. Bargaining power of consumers 3. Bargaining power of suppliers 4. Threats of substitutes 5. Competitive rivalry. I will employ this theory for my competitive situation analysis for Shiseido company.

the broadest level lies the general environment, or microenvironment, sometimes referred to as the political economy. Factors in the general environment influence all the industries functioning within it.

As a result, both of those theory are interrelated. They are all the concerns of environment analysis, however, Hofstede' 4 cultural dimension are more used to examine a MNC's culture, while environmental analysis will be used to examine Shiseido's external environment in terms of PEST and competitive situation. However, The main theory of my study- AdaptStandardisation will be applied by multiple supported by other 2 theories.

Chapter 3

Shiseido –A global multi-branded cosmetics giant

According to the company's official Web site (<http://www.Shiseido.co.jp.com>), based in Tokyo, the Shiseido company is the fourth largest beauty house with 1998 net sales of \$ 5.1 billion and over 25,000 outlets. Shiseido was purely a domestic producer until 1957 when it began exports to Taiwan. Recently globalisation has accelerated, and Shiseido now operates in SO countries world-wide, with operations in countries as diverse as Lebanon, Paraguay, China and French.

The company specialise in cosmetics and toiletries while also producing pharmaceuticals, foodstuffs, fine chemicals and fashion goods for the domestic market. Seven different product line and 15 main brand names in Shiseido's producing portfolio. Different brand serves different level of market (Prestige, middle and mass market). (see appendix 1.)

Shiseido considers brand value to be a vital management asset for improving corporate value. As technical innovation progresses and people's value and lifestyles diversify. Two of Shiseido's key strengths are its numerous superior-quality products line backed by world-class technological development capabilities, and a sales network spanning virtually the whole world (<http://www.co.jp/finanical.htm>) or (Appendix 2. Global network)

Shiseido has four research centres in Japan, three in France and three in the U.S. The company has nine production facilities in Japan and 11 overseas. Despite this apparent internationalisation, Datamonitor research indicates that over 80 percent of Shiseido's sale still remain in Japan.

3.1 Marketing strategy

Although the company is a world wide business, it always stays locally. Some research centre and of its distribution operations locally joint venture or strategic Alliance with other partners, who are native to the nations in which they are located (<http://www.Shiseido.co.jp>)

According to the company's chairman, Fukuhara, being locale is the main strong of the company. It is a true growth company with true, incomparable growth opportunities all over the world, it is a business with a popular, with strong foothold in many countries' cosmetic market. (The Shiseido Company Annual report, 1997)

There is a balance of standardisation and adaptation of Shiseido's marketing mix. Shiseido's product and promotion more towards to is standardisation, On the other hand, the adaptation could be seen from the pricing and distribution. Shiseido's standardised product and other differently adapted elements of marketing mix were supported by a multinational brand strategy. (The annual report of Shiseido Company, 2000)

Since April 1998, to meet customer's increasingly diversifying and individualised needs, Shiseido promoting non-SHISEIDO brands through established independent companies, with an emphasis on offering types of brand value. (<http://www.shiseido.co.jp/e/e0009anu/html/anu40000.htm>)

“What we are doing,” says Akria Gemma, the company's president and CEO ,” is to introduce new brands that do not carry the Shiseido name. These brands offer the same high level of quality, but are sold at more modest price. This allow us to reach out new types of customers” (Annual report, 2000)

Shiseido considers original brand value to be a vital management asset, 15 brands serve different area of the world with different market items of Prestige, middle and mass market. Different market takes different marketing strategy. (<http://www.shiseido.co.jp/e/e0009anu/html/index.htm>)

The prestige market focus on counselling and sold at department stores with a premium price. To establish and strengthen brand identity in the middle market, which caters to self-selection consumers, product was distributed through department stores and special shops in each country with a modest price, and will aggressively invest in promotional activities at drugstore chain in developed countries. Mass market emphasis on supermarket selling and self-selection activities at lower price level. Most of the new brand named product are under the middle market level, such as: FTITT, Zota, 5S. The turnover of these specialised product lines designed expressly for sale in department and speciality stores has grown significantly over the past few years.

3.2 Business strategy

Shiseido fully integrated its domestic and overseas marketing development system during the recent years. Shiseido established the Cosmetics Value Creation Centre for self-selection market. As part of the newly integrated system, Shiseido continually introduces Top Ten brand ‘CIE de Pean Beaute’ as well as Shiseido brand, which supports Shiseido’s goal of firmly establishing Shiseido as a prominent “skincare house”. In addition, the market development strategy is supported by a clearly corporate culture, R&D strategy and Joint-venture and strategic alliance.

Corporate shared culture

First, there is a strong corporate shared value contributes to the success of Shiseido. The corporate Mission “ we aim to identify new, richer sources of value and use them to create beauty in the lives and culture of those we serve” as a governing guideline for its corporate practices and employee activities. The philosophy is rooted in the belief that the creation of value in tandem with all stakeholders improves corporate value in the long term and thus ultimately maximises shareholder value. Besides that, Shiseido is working to achieve a transformation in staff attitudes and actions by matching stakeholder’s returns with employee’s incentives. (Annual report, 1999)

R&D Strategy

R&D strategy is another competitive edge of Shiseido company. There are approximately 1000 peoples globally employed in R&D related position, and annual

R&D expenditures are about yen 16 billion (2.5% of the total net sale). Leveraging the sum total of its accumulated technologies, Shiseido pursues R&D program with the goal of providing new value to customer. According to Datamonitor, Shiseido holds over 25 percent of the Japanese facial market, thanks to the innovative product.

In 1989 Shiseido helped to jointly establish the world's first comprehensive dermatology laboratory—Massachusetts General Hospital /Harvard Cutaneous. So far, Shiseido have 4-research center in U.S, 2 in France for developing the latest new product serve the global market. The research achievements including milk protein prevent ageing of collagen fiber, a marjoram extract that stimulates the production development of hyaluronic acid, which are applied in such products like Revival and Shiseido.

A notable breakthrough was the separation of ascorbic glucoside, a vitamin C used in skin whitening compounds. Depend upon that new technology, Shiseido launched so many success new brands: 5S, Zota. Ans also leads Shiseido diversified into other markets: hair, men's cosmetic. R&D strategy is the essence to Shiseido's success.

Acquisition and Joint venture

For the globalisation goal, Shiseido continually acquire and Joint venture other enterprise. In 1975, when Shiseido entered Salon market, has acquired the trade rights of the Shiseido salon products business from Takigava Company Lit, which under an agency agreement. Especially in 1983, Shiseido joint-venture with Chinese Liyuan company entered Chinese market, which would be the basement of Asia market of Shiseido.

Currently, Shiseido will alliance with Johnson &Johnson, the world-wide manufacturing of health care product. The alliance will both benefit two company from the pursuit of new projects and business initials that can be achieved together, beginning with collaboration in research.

3.3 Financial situation

At March, 2000, Shiseido's total asset were 43.5 billion higher than 1999. This includes an increase of \$23.2 billion as a result of the company's introduction of tax-effect accounting. The notes and accounts receivable, less the allowance for doubtful accounts rose \$3.1 billion. Inventories climbed \$11.6 billion, reflecting increased inventories held as a Y2K contingency. Total property, plant and equipment grew \$6.9 billion, chiefly owing to investments in factory in France, Shanghai, and new R&D facilities. Total shareholders' equity jumped \$22.9 billion as a result of several factors including among others the gain in net income to \$15.3 billion and prior year adjustments for retroactive recognition of deferred tax of \$17.4 billion. These increases more than compensated for outlays of \$5.8 billion for cash dividends and of \$5 billion for the retirement of treasury stocks. (<http://www.shiseido.co.jp/e/e0009anu/html/anu80000.htm>)

3.3.1 Revenues and Earning

In fiscal 2000, Shiseido company, Limited, and 76 of its consolidated subsidiaries reported a net sales decline of 1.3% from the previous year.

In Japan, the Company's mainstay cosmetics products generated a slight year-on-year sales gain despite stagnant personal consumption. However, sales of toiletries fell owing to our efforts to reduce distribution inventories and because of the sluggish domestic market. As a result . domestic sales were down 0.3% from fiscal 1999's result.

Overseas sales climbed 12.7% on a local currency's sharp appreciation during the year led to 6.5% decline in yen terms. The share of overseas sales in consolidated net sales dropped to 14.7% from 15.5% in the previous year.

Despite the slight decline in revenues, income from operations rose 7.4%. The profitability of all business divisions improved thanks to the implementation of companywide cost-best activities, an upturn in te domestic market, the successful reform its cosmetics subsidiaries' profit structure, and focused on multi-brand strategy.

During the year, lower material costs resulting from extensive cost-best activities helped reduce the ratio of cost of sales to net sales 0.7 percentage point, to 3.9%. The ratio of SG&A to net sales was up 0.2 percentage point, to 60.7%, owing to the sales decrease. This was despite efficient advertising investments and the shift of come sales promotion cost to cosmetics sales subsidiaries.

Other income amounted to 3.7 billion, a RMB10 billion gain from the previous fiscal year, when Shiseido posted a loss on revaluation of securities and major restructuring expenses. The income before tax climbed 43.6% and net income jumped 48%

3.3.2 Sales by segment

Domestics sales of cosmetic were up 0.4%. In the context of a lacklustre market, Shiseido achieved this result thanks to the launch of global multibrand strategy and the drastic reform of the cosmetics operations of the parent company and its sales subsidiary in our resolute pursuit of customer benefit.

At the prestige end of the market, sales of channel-specific and specialised brands grew strongly, and Serum Noir, a hair-restoration treatment for women, scored a major market hit. These and other factors supported a firming in sales. The middle market targeted at self-selection consumers, weakened, especially in the area of men's hair-growth treatments. Overall, domestic sales of cosmetics increased slightly from fiscal 1999.

Overseas, SHISEIDO-brand products, especially mainstay skin-care lines, made solid market gains, and BeautŹ Prestige International S.A., a French subsidiary handling fragrances, continued to perform steadily. As a result, overseas cosmetics sales in local-currency terms grew sharply. Owing to the yen's appreciation against most major currencies, however, yen-based sales declined 5.7%.

Domestic sales of the others segment climbed 9.6%, supported by improved performances of salon, foods, and pharmaceuticals businesses. Although existing

salon products struggled, overall sales grew as we aggressively introduced global brands in the domestic market.

3.3.3 Financial ratio Analysis

In the fiscal year of 1999/2000, Shiseido had annual sales of nearly six billion yen, which made it remain the first position in Japan cosmetics market. During the fiscal year of 1996/1997 and 1997/1998, it had a mild growth rate of 5% or so, while its sales declined 2% in 1998/1999 and 1.3% in 1999/2000.

Given the fact that nearly 85% of its sales are generated domestically, its sales performance highly depend the market situation in Japan. Therefore, Shiseido's sales decline in 1998/1999 and 1999/2000 should be quite reasonable, as during that period, the Asia Financial Crisis significantly effected Japanese economy. Kao, Japan's second largest Cosmetics Company dropped its sales 8.7% in the fiscal year of 1999/2000.

I briefly analysed Shiseido's financial performance by comparing the key ratios of Shiseido and other leading cosmetics player: Estee Lauder (US based), L'Oreal (Europe based), Kao (Japan based).

3.3.3.1 Profitability

Shiseido's ROA and ROE are both significantly lower than other companies, even its Japan rival Kao. This indicates that Shiseido has a lower profitability comparing with its competitors in both Japan and overseas. Shiseido officers might argue that it is because of its continues heavy investment in R&D and Overseas facilities, which will ensure their leading position in the future. However, this might not be the sole reason. The other reason might be the higher pay out ratio and lower debt equity ration.

Further research might worth be carried out, but it seems a bit far away from this article.

During 1998/1999 and 1999/2000, Shiseido's pay out ratio is nearly twice of that of others. That implies that Shiseido's earning was far below its expectation during that period.

3.3.3.2 Liquidity

The current ratio of Shiseido is 2.15, slightly higher than that of L'Oreal (1.71), Estee Lauder (1.79), Kao (1.38). Therefore, the company has a relative better liquidity.

3.3.3.3 Efficiency

Shiseido's average collection period is 68 days worth of sales. Compare with its competitors Estee Lauder: 48 days and L'Oreal is 64 days, Shiseido's financial efficiency is a bit lower. Longer collection period will direct influence company's distribution channel, Shiseido should decrease its collection period a little bit.

3.3.3.4 Debt/equity ratio

Shiseido's debt/equity ratio is only at 0.1 or so during the recent few years. While that of Estee Lauder is above 0.69, that of L'Oreal is around 0.35, even that of Kao is in the range of 0.35, Therefore, Shiseido seems to have a much lower financial leverage. Lower debt borrowing might because the better liquidity situation, however, Shiseido's debt ratio should be at a higher level to release lower profitability due to the heavy investment in subsidiaries and R&D.

3.3.3.5 Pay out ratio

Shiseido's pay out ratio at 40.5%, Estee Lauder is 18.8%, 26.7%, Kao is at 30%. Shiseido has a highest pay out ratio compare with others. The higher pay out ration might be the critical reason to the lower profitability, for which Shiseido should plot back its earning for reinvestment in the potential profitable project.

As a summary, Shiseido has a longer collection period, associated a higher pay out ratio, a lower level of debt-equity ratio. Although Shiseido has a better liquidity situation, Shiseido's fanatical performance is not quite excited compare with other cosmetics companies as Shiseido has not efficiently utilise its asset to reinvestment. This would be the reason Shiseido has a lower profitability

3.4 Critics

Despite some success, Shiseido's multi-brand strategy need to be improved. Although the group launched so many new position and lotions each year, a spokeswoman admits that ' nobody really know how many brands we have'- many are reworked visions of existing. (Pamela 2000)

In 1999, Shiseido's profit fell by nearly 0% to 0.3 billion (\$80m) on sales that were 3% lower, The return on equity slipped by nearly two percentage points to 2.5% , compare with the target 7%, which the group aims at 2003.

Pamela still argues that every ambitions firm need a vision, but Shiseido takes self-belief to the point of delusion. When it looks at itself in the mirror it beholds a glamorous international cosmetics brand, rather than a wallflower with most of its sales in its domestic market and a name than can be found on overpriced luxuries and mundane toiletries alike. Shiseido was criticised by its marketing global brand. By pass through those problem, Shiseido is planning cut off some repeated non-Shiseido brand, a the organisation was re-structure in 1999, the more towards adaptations is taking place in its brand

3.5 Shiseido in Japan

The most of the sales (85%) of Shiseido are generated from domestic market. Shiseido has a quarter share of the \$14 billion of the total market.

However, Marketing strategy of Shiseido in home country are quite different to his overseas. In Japan, Shiseido labelled as a premium priced skincare house, standing at prestige market level only. Most of the new brand developed in overseas is prohibited sell in its home country, as those product serve the mass and middle market with a moderate price.

The distribution channel is also quite different with its overseas sales. Shiseido in Japan has long dominated the market with its 25,000 stand-alone stores and outlets in department stores and supermarket. Shiseido ran s tight slip, which indicated how it products should be displayed and priced-no discounting allowed. Those who

disobeyed had their supplies cut off. However, recently, Japanese have become price-conscious. And last year, the Fair Trade Commission directed Shiseido to stop the decades-old practice. But adaptation of distribution enter host country is very necessary. (<http://www.globalbusiness/japan/htms>)

3.6 Business Development in China

Following the start of sales in China in 1981 and a technical agreement with the city of Beijing in 1983, Shiseido was ready to establish a firm base in this vast market. Shiseido Liyuan Cosmetics, a joint venture with Beijing Liyuan Co., was founded to develop, produce, and sell premium cosmetics. The first company of its type in China, it was ideally timed to meet booming consumer demand. (<http://www.shiseido.co.jp/e/e9608his/html/his00052.htm>)

Shiseido's business in China were conducted in two forms. One was through nine large retail shops and hotels in Beijing, the other was through technology transfer with Beijing City. In 1991, Shiseido invested Shiseido Liyuan Cosmetics, a joint venture with Beijing Liyuan Co. It began production in 1993, followed the next year by sales of the new prestige product line Aupres, developed exclusively for the Chinese market. Today, Aupres is sold in more than 60 cities all over China with over 200 outlets, become the fastest growing brand name in China.

In 1998, Shiseido started its second China Joint Venture in Shanghai, introducing Za for the fast expanding middle class in China. The brand Za was launched in 1997, and is targeted at the Asian middle classes. The Joint Venture differentiates itself from the prestige marketing operation based in Beijing.

According to a recent survey participated by 20 big department stores in China, the sales of Aupres ranks first in 11 department stores. While in Beijing, the survey shows the total sales of Aupres ranks first and account for 14% market share of cosmetics product in all big department stores. Shiseido brand ranks 6th, account for 4.31% market share. (See Annex xxx for detail)

3.7 Business Development in Western World

In 1980's, the company developed a cultural marketing philosophy emphasising high quality, high image, and high service. Local subsidiaries took root world-wide, from Shiseido France and Shiseido Deutschland (1980) to Shiseido Australia (1982). In each case, Shiseido has worked to integrate itself with local communities, to contribute to their wellbeing, and to localise its operations.

To direct its fragrance business worldwide, the company established Beauté Prestige International in Paris in 1990. In cooperation with two world-famous designers, BPI soon created two highly successful fragrances: l'Eau d'Issey, with Issey Miyake, in 1992; and Jean Paul Gaultier in 1993.

In 1991, Shiseido's first European factory in operation in Gien, France, with production focusing on fragrances but also including skincare products. In every aspect from the planning of the facility to the company's sponsorship of local cultural and social events, emphasis has been on contribution to the community and good corporate citizenship.

Shiseido doesn't build operations plants in U.K., where the product was sold through department stores and Boutiques. While products come from the closed operation—France. Although Shiseido sold its product in U.K. when it entered into France, the sales in U.K. is not so much than its sales in other European countries like Italy, France, and Sweden.

However, Shiseido already target U.K. would be the most focus market currently, the perspectives will coming in the no longer coming day

Chapter 4

Factors influence the integration of standardisation and adaptation marketing strategy of Shiseido in China and U.K.

The development of successful international marketing strategies is based on a sound understanding of the similarities and differences that exist in the countries around the world. The sheer complexity of the marketing considerations that impinge on the strategies analysis of its environment is a major challenge. (Isobel &Lowe, 1999)

Akria Gemma –president and CEO of Shiseido Company, was best known for re-inventing the company’s marketing approach by introducing new products and global multibrand, such as De De Peau, 5S, Za. He also helped to increase the company’s net income from (Yen) 1.1 billion to 1.5 billion. (<http://www.Shiseido.co.jp>)

Akria Gemma still argues that in order to think globally, company must act locally. if the company wants to sell its products across 200 countries, Business decision should respect every market, as every country market is different. Competition, Economic environment and consumers are different. Therefore, local organisation under local managers should operate in each market

Until the 1970’s, Shiseido Company offered only one product line in cosmetic and brand in Shiseido. Nowadays, the company produces huge range of product line with different brand name by employing a multi-brand strategy that target different market segment based on consumer preference, lifestyle, and different environmental limits, for example: economic, climate and cultural different.

This chapter will critically examine how do internal and external factors influence the Integration of standardisation and adaptation of Shiseido’s marketing strategy in Chinese and U.K market.

According to Vrontis's 'AdaptStandard' framework, the total factors influencing MNE's standardisation and adaptation strategy are: Market Position in terms of Market Culture, Economic, Technology/ Market infrastructure (Stage of development), Demographic factor, Competitive factor, Political environment, Product characteristic factors, and Organisational factors. Due to the word limitation, I will discuss several factors that the most influence Shiseido's marketing mix.

4.1 Cultural factor

Culture is the acquired knowledge that people use to interpret experience and to generate social behaviour (Richard & Fred,1991). Culture is shared by members of a group, organisation, or a society. Through culture we form values and attitudes that shape our individual and group behaviour. (Alan &Richard, 1995)

Perhaps the most widely accepted definition of culture is that Ralph Linton (1945): ' Culture is the configuration of learned behaviour and results of behaviour whose component element are shared and transmitted by members of a particular society.' In relation to international marketing, culture can be defined as: 'The sum total of Learned beliefs, Value and customs that serve to direct consumer behaviour in a particular country market '(Isobel& Lowe, 1999) The components of culture include: language, region, values and attitudes, education, social organisation, education, Technology and material culture, aesthetics.

Cultural differences heavily affect the elements of the marketing mix. To avoid the interpretation of the wrong meaning, marketers must take great care in translating product names and promotional messages.(Boutzikas, 2000). The gaps between education and language influence MNEs product design; Differences in the culture attitudes and lead to enormous variations in product and advertising standards and expectations. Different consumes behaviour Affect Company's distribution channel.

4.1.1 Language

Language is the most obvious key element of any culture in terms of which one can differentiate between cultures. It provides one of the most important underpinnings in the socialisation of peoples. It is the primary means of communication, both verbal, written, and non-verbal body language, to transmit information, concepts and ideas between individuals. (Harrison, 2000) A clear understanding and effective use of language is essential for the success of any international business practice.

Especially language differences have a significant impact on the way the product may be used in a market, its brand name and the advertising campaign. Shiseido wishes to minimise the degree to which culture prevents them from producing standardised promotional campaigns. This is because of the benefit of economic of scale and the higher quality that can be obtained for a single advert than local adverts. Consequently, Shiseido do not have advertisement from overseas. But the way of advertisement of its global line such as the Skincare or the Makeup is the same.

However, with the same posters of same model to decorate shop counters. We can find same images was translated in different languages, for example, Shiseido- the Makeup (<http://www.shiseido.com/themakeup/index.htm>)

In China, the most popular and widely spoken is Mandarin, which also is the government language, However, In U.K. market, English is the only and the world wide spoken language. Shiseido has standardised promotion message and promotion program, Before its products go to this two market is translated into English and Chinese, however, Shiseido was translated into Chinese characteristic: “zishengtang”, in U.K. market Shiseido maintain the same pronunciation.

4.1.2 Education

Education influences many aspects of culture. Literature people read widely and have a much better understanding of what is happening in the world. Additionally, higher rates of literacy usually result in greater economic productivity and technological advance. Education also helps to provide infrastructure needed for developing managerial talent. Simply stated, education is a critical factor in understanding culture.

In Japan, there is a very strong emphasis given to engineering and the science at the university level. In Europe, the number of MBAs has increased sharply over the last decade. However, in China, the college and university student enrolment of 2% is less than the 8% average of other developing countries (Jing, 1993). Educationally advanced country-U.K. is more likely to be standardised for Shiseido's product by offering a comparatively simple instruction than China.

Besides that, due to the higher educational background, the potential distribution method—Internet might be more easy and earlier employed by Shiseido Company in U.K. than in Chinese market in the future

Education is used by all societies not only to strengthen existing cultures but also to prepare the society for a desired change. (Andrew, 2000). In this way, education is seen as the main agent of cultural change laying down the foundation for the acquisition of new behavioural norm, knowledge, and experience. For example: Maoism in the People's republic of China was designed to create a culture based on communist ideology. In U.K. universities are offering courses in business and management based on the idea of Capitalism. Communist ideology towards collectivism (traditional form) and Capitalism aware us pay attention to individualism (shows more personality), Shiseido Company's product design needs to be adapted towards different educational customers.

4.1.3 Value and attitudes (customer perception)

Values are a shared set of beliefs or creeds, convictions and ideologies. Values represent the very essence of any culture and society and form the context within which individuals norms of thinking reflected in an individual's behaviour. Attitudes include opinions about individual freedom, democracy, truth and honesty, the role of the sexes, justice, marriage, love and sex. (Michel, 1990)

In addition to the effect on the design of adverts, cultural differences have a linguistic implication with regard to the original product imagination⁵. The attitudes that emanate from value directly influence company's product package and price.

In China, Shiseido has found that customers regard Japanese goods as superior quality and higher price to those of the local competition (Value). So it sells Shiseido's original branded product and superior packaged and labelled made in Japan with a premium price, and consumer demand (attitudes) remains high. However, this is the truth in U.K. Customers regarded Shiseido no special different even has a lower consideration compare to Christian Dior, or esteem Lauder. (value), Shiseido was sold in U.K. with standardised package and a nearly standardised price and customer feel satisfied. (attitudes). E.g. Shiseido cleaning foam sells at £57.97 (China),⁶ £28.26 (Japan),⁷ £32.20 (U.K.)⁸ at this movement.

4.1.4 Consume behaviour/pattern

Consumption patterns reflect people's lifestyle, it also represent a significant habit of the way people live. (Fahey, 1986). Consume pattern can and do change over time-sometimes precipitously.

Consume behaviour can be a barrier in relation to the suitability of the marketing mix in particular local market. Countries differ in their tastes and fashions may create the need for adaptation (Vrontis,2000)

In China, people always go to luxury department stores buy the premium product. Go to shopping in a high-class department will show their personality or will be one of the entertainments. However, in U.K. people also have the habit buy cosmetic in Boots. Therefore, Shiseido selling its product in Department stores in China, Selling product in both department stores and Boots in U.K.

⁵ Original product imagination indicate the attitudes towards to the products original country. For example: when we imagine the Japanese product, always related to high quality. Italy delegates for high quality ties, France give us a imagination of quality perfum

⁶ <http://www.my8848.net/www/info/result.asp>

⁷ http://www.age.ne.jp/x/charmdor/scare_price_e

⁸ http://st15.yahoo.com/cgi-bin/nresearch?query=shiseido&catalog=neobeauty_com&autodone=http3%

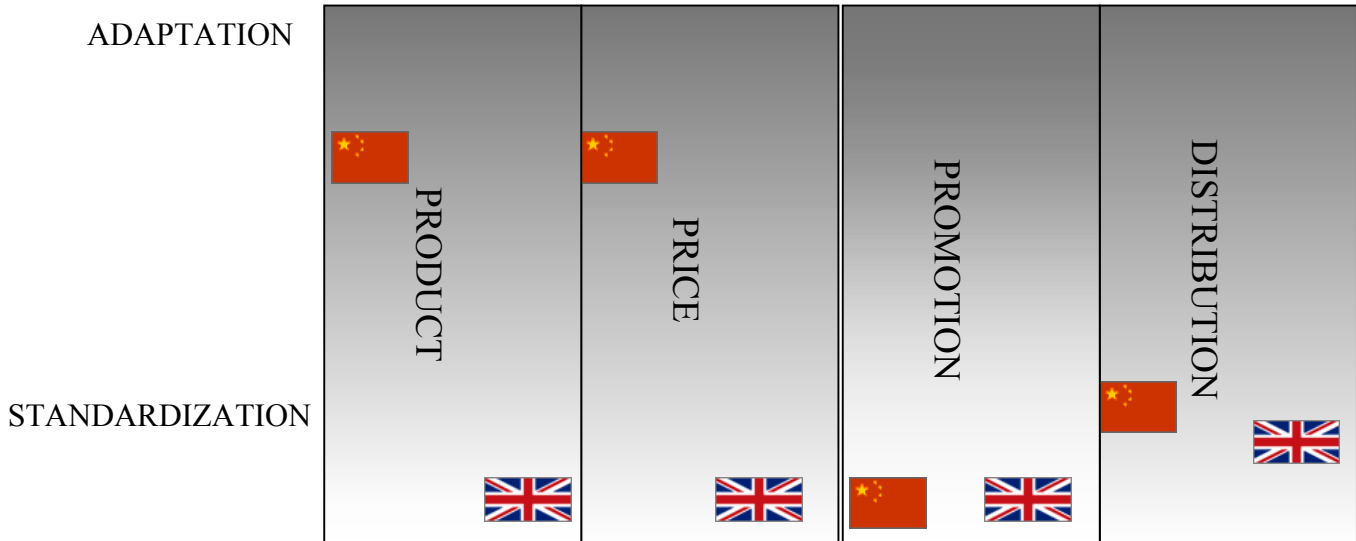
The distribution is also affected by cultural consume pattern. When Shiseido entered Chinese market, found that the debt collection period six months in China and 2 months in U.K. compared with one month collection period in home country. (Terpstra, et al 1994) Adaptation to such trading customs was necessary in order to penetrate the Chinese and Japanese market

Besides those, culture still have other elements which influence MNEs' marketing strategy, like colour usually affect a company's product design. For example: In China, people prefer red colour and White associated with death but black is a colour of death in U.K. however, Shiseido's original product doesn't use any white or black, Colour doesn't influence its product at this movement.

Furthermore, religion will be another important culture element, which is often regarded as the mirror imagines of a country's culture. It is the most important element in understanding the human environment of business and all related activities and therefore it is essential for an international manager not only understand how people in different cultures but also why. For example: the entire economic, political, legal and social systems are based on the teaching of the Koran and any deviations are severely punished and offenders ostracised, One might disagree with the Iranian government's actions but as outsiders there is nothing one can do change their attitudes and norms. (Terpstra ,1991). The most popular one should be Buddhism.. Compare with U.K., the most dominated religion is Christian. However, through my research, there is no special religion reasons influences Shiseido's cosmetic marketing mix both in China and U.K.

.As a result, due to the cultural factors influence, marketing mix in China are highly adapted, while in U.K. market, both promotion, product, and price are standardised associated with a slightly adapted in distribution channel. (see figure 4.1)

FIGURE 4.1 CULTURAL FACTORS' EFFECT ON SHISEIDO'S MARKETING STRATEGY



	PRODUCT		PRICE		PROMOTION		DISTRIBUTION	
	China	UK	China	UK	China	UK	China	UK
Language	A	S	S	S	S	S	S	S
Education	A	S	S	S	S	S	S	S
Value & Attitudes	S	S	A	S	S	S	S	S
Consumer Pattern	S	S	S	S	S	S	A ^{SLIGHT}	A ^{SLIGHT}

4.2 Physical condition / demographic

Physical condition also be called demographic factor, which includes population size, age structure, climate, and ethnic mix, and geographic factor. Demographic factor influence the balance of adaptation and standardisation of Shiseido's marketing mix.

4.2.1 Climate and Ethnic

Different climate and ethnic are associated with particular average heights of their skin type. The implication of Climate and Ethnic will significantly affect Shiseido's product and promotion.

Most of China in a subtropical or a northern temperature zone and therefore experience the monsoon season, while U.K. has a different climate. Different climate and ethnic will have different skin characteristic. We all know that for those reason the skin of people in Asia and European are quite different. Chinese people have a more gentle and smooth skin but easy be damaged. On the other hand, European people's skin is more oil but very to be wrinkled. For which there will be a degree of adaptation of a company's product and associated with adapted promotion message.

It is scientifically proven that the human skin could not be identified globally.

“We have learned to place a high priority on long-range partnership with local people and also on sharing business ideas” says Abe Sadao, the changer of the company's international operations.” He still says that Shiseido has developed products especially for Asia women, it uses oil made from jasmine and other plants, because Asians find the fragrance in its Western cosmetics too strong. (<http://www.shiseido.co.jp>)

However, Shiseido didn't adapt its product in U.K. market. The promotion still remains the same message: focus on the natural as well as in Japan. Although the product was adapted and plus an adaptive promotion message: a new product more fit in with Chinese skin, the critical reason would rather be economic situation than the different skin type.

In other market like U.S. there is a multinational brand to fit this problem, however, Shiseido developed a new product and create a new brand name instead of its original brand—Shiseido. Due to the conscious of damage of its original product value. Because U.K. is a new focused market recently, there is still not a new product line for U.K. market. This is a very critical problem for Shiseido.

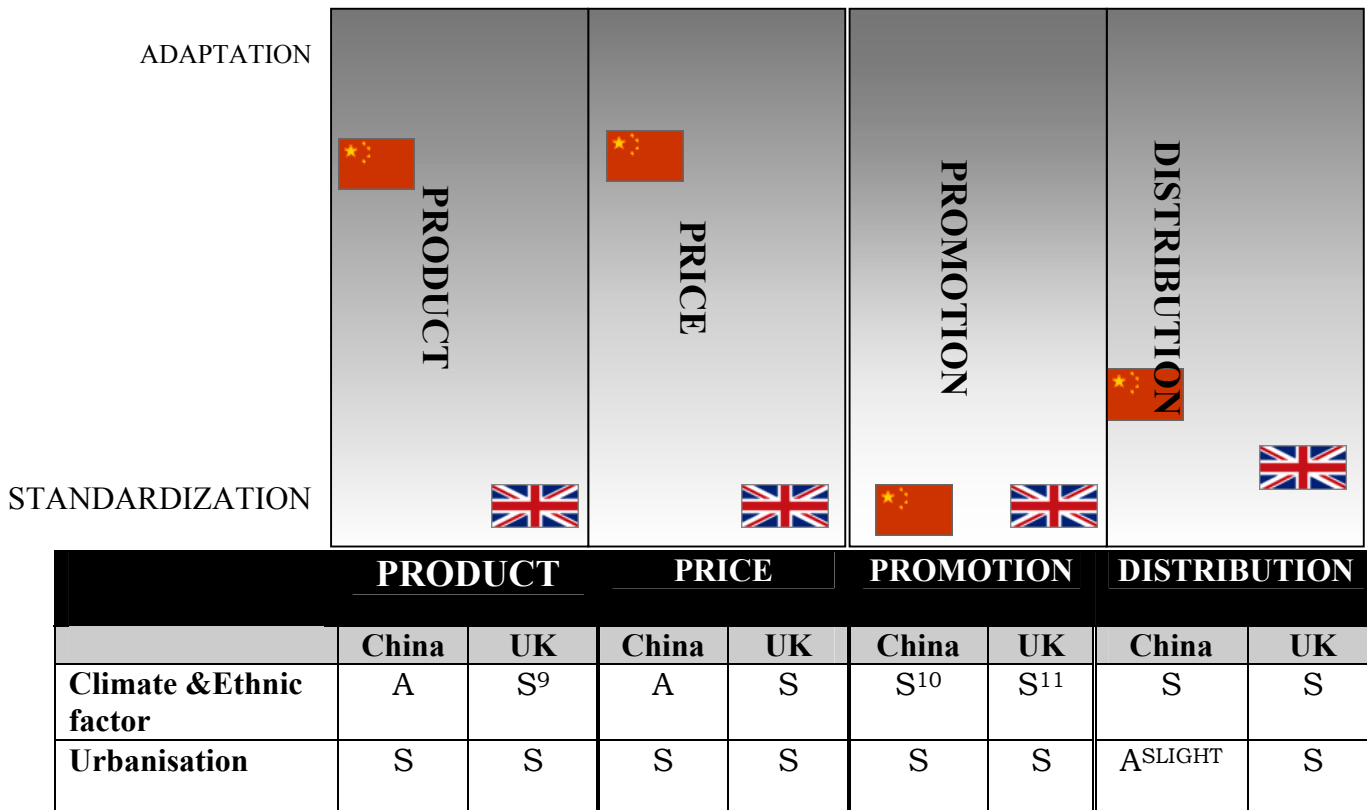
4.2.2 Urbanisation factor

One of the most significant characteristics of demographic is the extent to which it is urbanised. Numbers cultural and economic different exist between people in cities and those in villages or rural areas.

The most influence of urbanisation is the distribution channel. In China, majority of people lived in villages, which causes Shiseido's fragment market exist and so many UN-accessed area in Chinese market, however, the higher urbanisation rate in U.K.give Shiseido Company higher opportunity to serve the whole targeted market.

As a result, due to the influence of physical condition/ demographic factor, the adapted distribution in China stills facing fragment problem. The standardised product should be adapted to UK's market due to the climate and ethnic affect as well as the promotion message.

FIGURE 4.2 PHYSICAL CONDITIONAL FACTOR'S EFFECT ON SHISEIDO'S MARKETING STRATEGY



⁹ Standardisation in U.K. should have at least lower degree of adapted

¹⁰ Standardised promotion message should be adapted into Chinese market`

¹¹ Standardised promotion message should be adapted into UK's market

4.3 Economic Factors

The economic segment of the microenvironment has perhaps the most general impact on business organisations. It refers to the nature and direction of economy in which business operates. More specifically, economic activity is reflected in levels and patterns of industrial output, consumption, income, savings, and investments, capital and labour availability, and price movements. Such indices in common (business) language as gross national products, inflation, interest and unemployment rates, foreign exchange fluctuations, concentration of wealth, and consumer prices refer to various aspects of the economic environment. (Fahey, 1986)

The economic factor is increasingly important in enhancing adaptation. Local markets vary enormously by their disposable income per capital. Therefore, standardising price would mean that poor countries are likely to have reduced market for Shiseido.

Main Economic indicator (2000) shows that purchasing power and the income per capital in China will exceed that of America in 2010. “ We are counting on the region as our fastest growing sector,” says Abe Sadao¹², “China is the key market”. (<http://www.shiseisolink.com>) Shiseido realises that concept and in regards Asia and Chinese market would be the long term concentration.

The following table compares the economic between UK and China from various aspects, including national income/product, Price/Wage/Productivity, labour/Government Activities, International Transactions, Telecommunication, as well as Transportation.

¹² Abe Sadao , who is the changer of Shiseido’s international operations.

[shiseido_econ.xls](#)

4.3.1 GNP and GDP

The most frequently used to describe a country economically is *GDP and Per Capital Income* and there is a very wide range of *per capital income* figures among the countries of the world.

Different levels of income and changes in income levels will affect both the price that can be charged and the product quality that is acceptable for each market. Price for cosmetics do vary very substantially between markets and such price discrimination may be partly for the reasons of income. (Vrontis, 1999)

National Income's relation with any product's price strategy is rather direct and obvious. Usually, in a higher income nation's consumer can expect a higher price, while in a lower income nation, there will have more pressure to squeeze price for better market share. The change of price will lead to a trade off of cost and profit, as the promotion, distribution, product strategies are highly related to the changing in price. Therefore, apart from price, National Income and GDP have an indirect impact on all other aspects of marketing mix strategy.

Look at the figure, we can see that Japan and UK has the same Per Capital Income. In U.K. is \$21,200 and in Japan is \$23,100, which compare with China is only: \$3,800. Therefore, due to the lower income level, consumer in Chinese market can't offer a premium price, which serves in Japanese market. We also know that the National income in China is approximately £5 billion and the economic growth is at amazed rate: 7%, in Japan is -2.6%, 2.6% in U.K.

Especially, the Chinese government encourage the foreign investment opened do many ESZ and ETDZ ¹³ "Clear, China is proving to be one of the world's booming economies, China is a major economic power" (Rugman, 2000). A highly adapted price strategy is compulsory for Shiseido entry the biggest emergency market¹⁴, at the same time a standardised price is available go to U.K. Shiseido developed a new

¹³ESZ (Economic Special Zone ETDZ (economic and technologic Zones) were opened by government of Chinese for attracting foreign investment, both of those zones have favourite tax and tariff rate.

¹⁴ Emergency market is new word for economist describe the newly developing country, like China, Brazil, Vietnam, etc.

product line under Shiseido's skincare with a new brand name—Aprus, which is the unique product exclusively designed for Chinese market.. The price of Aprus is just 1/3 of original product associated with different promotion message—professionally developed fit Chinese people's skin. However, due to the lower level of income, Aprus in Chinese market still be regarded a prestige product.

At the same time, the original Shiseido still serve Chinese market with standardised form, however, due to the political and other environmental influence, price of Shiseido brand product are also adapted with a slightly adapted distribution channel.¹⁵

Aprus bring the higher profit and competitive advantage to Shiseido, today, Aprus is sold in more than 60 cities all over China with over 200 outlets, become the fastest growing brand name in China. The survey shows the total sales of Aprus ranks first and account for 14% market share of cosmetics product in all big department stores. Shiseido brand ranks 6th, account for 4.31% market share. (See Annex xxx for detail)

4.3.2 Inflation rate and Interests rate

Inflation rate and Interest rate will significantly influence company's price at an extremely way. The price will be increased with the climbing inflation rate. The lower price will come out with the higher interest rate. Different inflation rate and interest rate should be taken into account for a MNE's price adjustment entering into host countries.

Look at Figure, the inflation rate in China has a negative figure compare with Japan's 0.9%, the affect of inflation rate could be ignored in Chinese market. However, the inflation rate in U.K. is few higher (2.7%) than Japan (0.9%), a little higher price is needed for Shiseido enter into U.K. The interest rate both in China (3.8%) and U.K. (5.52%) are higher than Japan (0.25%), However, due to the other factor heaviest influence like political factor, the influence of interest rate and inflation rate are not obvious in Shiseido's price. A little higher price in U.K. market is for the influence of tariff.

¹⁵Please see the discussion of other factors influences in my research: Political, cultural and demographic.

4.3.3. Exchange rate

The exchange rate is the price of one country in terms of another. The change in exchange rate will extremely affect the price of a multinational company.

The lower the exchange rate of a host country, the higher inflation rate of this country, which will force the price of MNE increase in order to get the same revenue transfer to its home country. On the other hand, the higher exchange rate of a country, the deflation will occur, a foreign company could decrease its product price in order to gain more market share.

The exchange rate of British Pound depreciated against USD in the recent years. The exchange rate from U.S. Dollar at 1:0.604 in 1998, 1:0.618 in 1999, 1:0.661 in 2000. Shiseido's product should have a little higher adapted price enter UK's market. However, In Chinese market, the exchange controlled by Chinese government, the exchange rate from RMB to U.S. dollar is fixed at 1:8.2. Therefore, the significantly exchange rate influence should be ignored for Shiseido's marketing mix.

4.3.4 Balance of payment

A country's balance of payment is record of all the transactions that occur between residents of that country and foreigners over a specified period of the time (Bennett, 1995). Balance is very important because it is the likelihood of the country's government imposing foreign exchange control, important restrictions and deflationary economic policies such as increases and interest rate rise. The balance of payment should be on a balance level.

A higher surplus will influence country's import, a higher pressure will impose its imported good's global competitive capacity. For example: Assume Chinese product sells in Japanese market at \$8, however, if there is continually higher surplus of balance payment, the deflation will increased Chinese currency value. Thus, the price of this product will rise to more than \$8, which will decrease the competitive edge of Chinese product in the global level.

On the other hand, If there is a higher level deficit balance of payment, to prevent the exchange rate dropping too far (thus increasing import prices and hence the domestic rate of inflation). The deficit government will normally sell part of it stock of foreign exchange reserves on the open market in order to satisfy the excess demand for the foreign currency. However, this can only be a temporary measure because the country only has a limited amount of reserves. Thus, in the facing of a continuing deficit it must either be prepared to allow the exchange rate to fall to a very low level, or implement deflationary economic policies (tax rises, higher interest rate, cut back public spending, etc) and/or import and exchange controls designed to remove the current account deficit.

Therefore, the balance of payment will influence the country's political policy, especially the exchange rate and interest rate, which will extremely influence a MNE's price adaptation and standardisation to enter a host country.

However, U.K. has a deficit (£-33 billion) of balance of payment, China has amount of surplus £929.10 billion), Japan has a surplus (£59 billion). According to the discussion above, bearing the surplus of Shiseido, its product will increased in U.K.'s market. However, in China, because there is a different community economy system, the price will be affected by political factor, the influence of balance of payment is not too obvious.

4.3.5 The stage of development

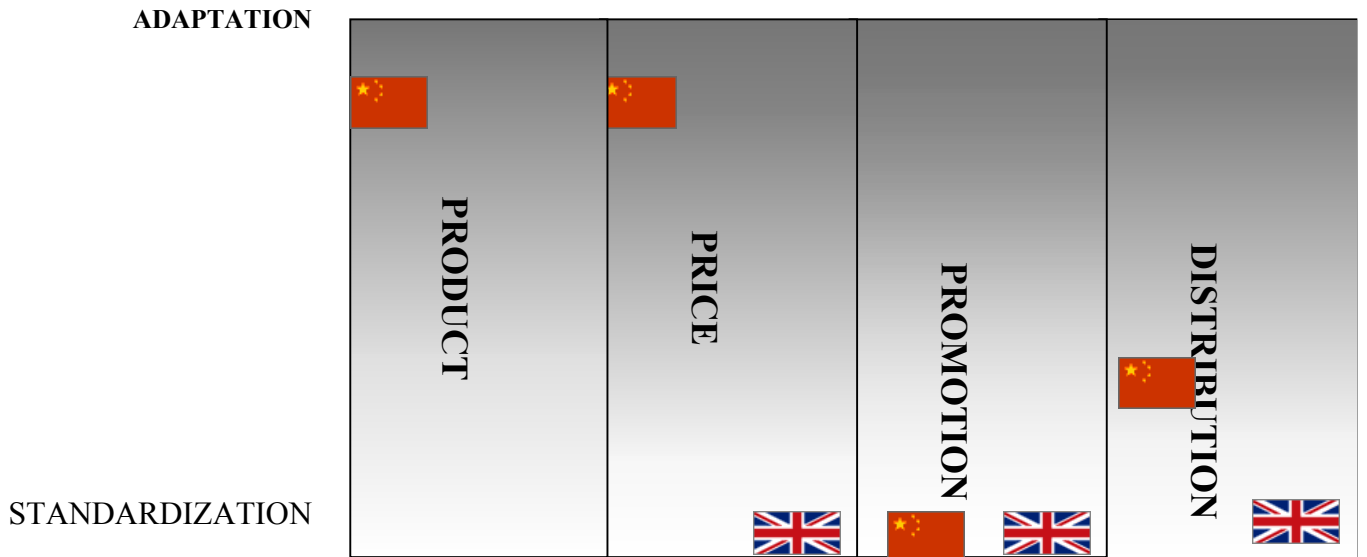
Yorio (1983) argues that the economic development variable in country. Marketers should combine economic variables to fit their marketing strategy to by using those that relate directly to the product and/or service the company's markets. This approach has divided countries into four basic categories in terms of less developed, early developed, semi-developed , developed, communist.(table 1) This format take into account both general country considerations: GDP, populations, etc. According to this approach, both U.K. and Japan is belongs to developed countries, however, China is at communist stage.

Distribution may require adaptation in relation to the stage of the development of each local market. Advanced countries possess a multiplicity of different retail outlets while choices for a host product is likely to be much more constrained in less developed countries. Therefore the full range of selling parterres employed for advanced markets can't be developed in less developed countries. Thus the distribution via traditional market is essential in order to success.

Shiseido in Japan is the largest cosmetic company and its product distributed by all retailer outlets, drug shops, special stores chain, etc. Because U.K. and Japan are all highly developed country should stand at stage 5, both of them have the completed distribution system, Shiseido distributed its product in department stores and other channel like Boots and special stores. A little adapted distribution channel is due to the different distribution system. However, China is on the stage 3, this situation force Shiseido adapted its distribution channel to the only one: department stores. Compare with U.K., distribution channel adaptation is much more lower than in China.

As a result, economic environment factor extremely influence a MNEs price adaptation and istribution channel, which can be seen from my discussion above, both China and UK's price strategy is adapted at different degree, however, the adaptation in China is more than in U.K.

FIGURE 4.3 ECONOMICAL FACTORS' EFFECT ON SHISEIDO'S MARKETING STRATEGY



	PRODUCT		PRICE		PROMOTION		DISTRIBUTION	
	China	UK	China	UK	China	UK	China	UK
National Income	A	S	A	S	S	S	S	S
Interest/Exchange /Inflation	S	S	S	S	S	S	S	S
Balance of Payment	S	S	S	S	S	S	S	S
Development Stage	A	S	A	S	S	S	A ^{SLIGHT}	S

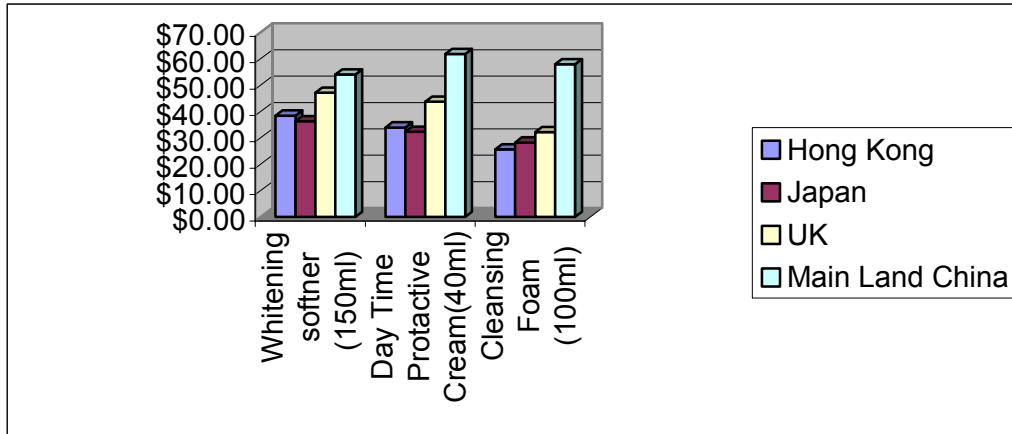
4.4 Political / Legal Factor

The political external environment comprises local and national government, local associations, trade unions and employers' bodies. Political considerations affect the trade and non-trade barriers like tariffs and tax and the business practice of the country and hence the price of a firm can charge its customers. (C. Capon, Understanding Organisational Context, Pearson Education Limited 2000). The regulatory of legal factor consists of a body of laws and regulations that directly or indirectly affect the MNE's marketing strategy.

Political highly influence MNEs price strategy through the impose tariffs. The Pricing of Shiseido Company are highly adapted in Chinese and U.K. due to the influence of government tariffs.

The following chart shows the retail price of three Shiseido products in different countries. The price in UK is about 20% higher than that in Japan, while, in Chinese market, it is 50-100% than in Japan. Why there is the difference between the price in China and UK?

Table 4.4 Price different in U.K. and China



Product	Hong Kong	Japan	UK	Main Land China
Whitening softner (150ml)	105.85%	100.00%	129.76%	148.90%
Day Time Protective Cream(40ml)	105.18%	100.00%	135.30%	191.44%
Cleansing Foam (100ml)	90.73%	100.00%	113.93%	205.12%

The answer is obvious if you compare the customs duty and other tax between China and UK.

Passing through the customs is the primer for a company to enter into a host country. Therefore, customs regulations and customs duty are the first inevitable factors effect a company’s market strategy.

In UK, as most other countries, such as US, Australia, the customs duty for beauty products is 0. While in China, the current rate is 30% for all cosmetics and personal care products.

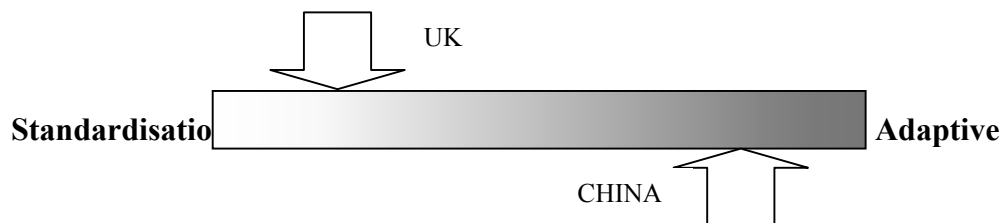
In addition, according to China's consumption tax law, cosmetics and personal care products, along with tobacco, alcohol, jewellery, gasoline, diesel oil, motor, are subject to consumption tax. The rate for cosmetics is 30%. As an imported product, the consumption tax is levied on top of the customs cleared price.

As for VAT, both countries are quite similar. It is 17.5% in UK, and is 17% in China.

Therefore, if a Shiseido product selling at CIF USD100 to both countries. The importer in UK only pay USD117.50, while that of China should pay USD197.73. This obvious difference well explained the price difference in both markets.

As for the slight higher price in UK market, the 17% VAT makes sense.

Therefore, at the price, due to the political factor, Shiseido is highly adaptive in China market, while it is more standardised in UK market.



Due to the adaptive price, Shiseido's marketing power is reduced in China market. Fortunately, in China's prestige market, the major competitors are also from overseas, and the political factors' affect is thus the same for her competitors.

For the purpose to get through the tariff barrier, Shiseido Joint venture jointed venture with LiYuan cosmetic company to produce Shiseido cosmetic product in 1983. And a new product with a new brand name of Aupres was sold at only one third of the price of Shiseido branded products. Therefore Shiseido not only get around the tariffs barrier, but also give Shiseido competitive edge –maintains position at the top-end market, competing with other foreigner players. Of cause, the political factor is only one of the critical reasons to develop a new product with different brand name in

China. The most critical reason for this new product still is economic factor, which I discussed in economic factor.

Furthermore, Shiseido's product in Chinese market was regulated by legislation. (<http://www.infplease.com>) According to the Chinese law, all foreign product Instruction must translate into Chinese¹⁶on, the political factor of China also has a slight effect on its package. According to the regulation, the products of Shiseido have to translate instruction into Chinese for serving Chinese market. While it is not an issue in UK market, as English is an international language, which is always printed in any product for international market.

There are relatively few legal restraints upon the choice of distribution channel. Due to the lack of the law to regulate the double layered distribution channel, there are so many unauthorised stores sell fake Shiseido product occupied one part of Chinese market. At the same time, the door-to-door selling is prohibited in Chinese market, however, this is not a influence factor to Shiseido, as its never use this kind of distribution channel in any country.

In a summary, Both price in Chinese and U.K. were adapted due to the different tax and tariffs system, a slightly adapted in distribution channel are also appeared in these two market. However, the adapted product in Chinese market associated with standardised promotion is different in U.K., where the product is standardised.

FIGURE 4.4 POLITICAL FACTORS' EFFECT ON SHISEIDO'S MARKETING STRATEGY



4.5 Competitive factor

Competition is the core of the success or failure of a firm. The nature of the competition in different local markets will affect elements of the company's marketing mix for the degree of adaptation.

Michael Porter (1980) states that the competition in an industry is a composite of five forces, which is also called "Porter 5 forces model". The five forces include: competitive rivalry; threats of new entrants; threats of substitutes products or services; bargaining power of buyers; and bargaining power of suppliers. Those five forces is a powerful tool for systematically diagnosing the chief competitive pressures in a market. (Thompson, 1998)

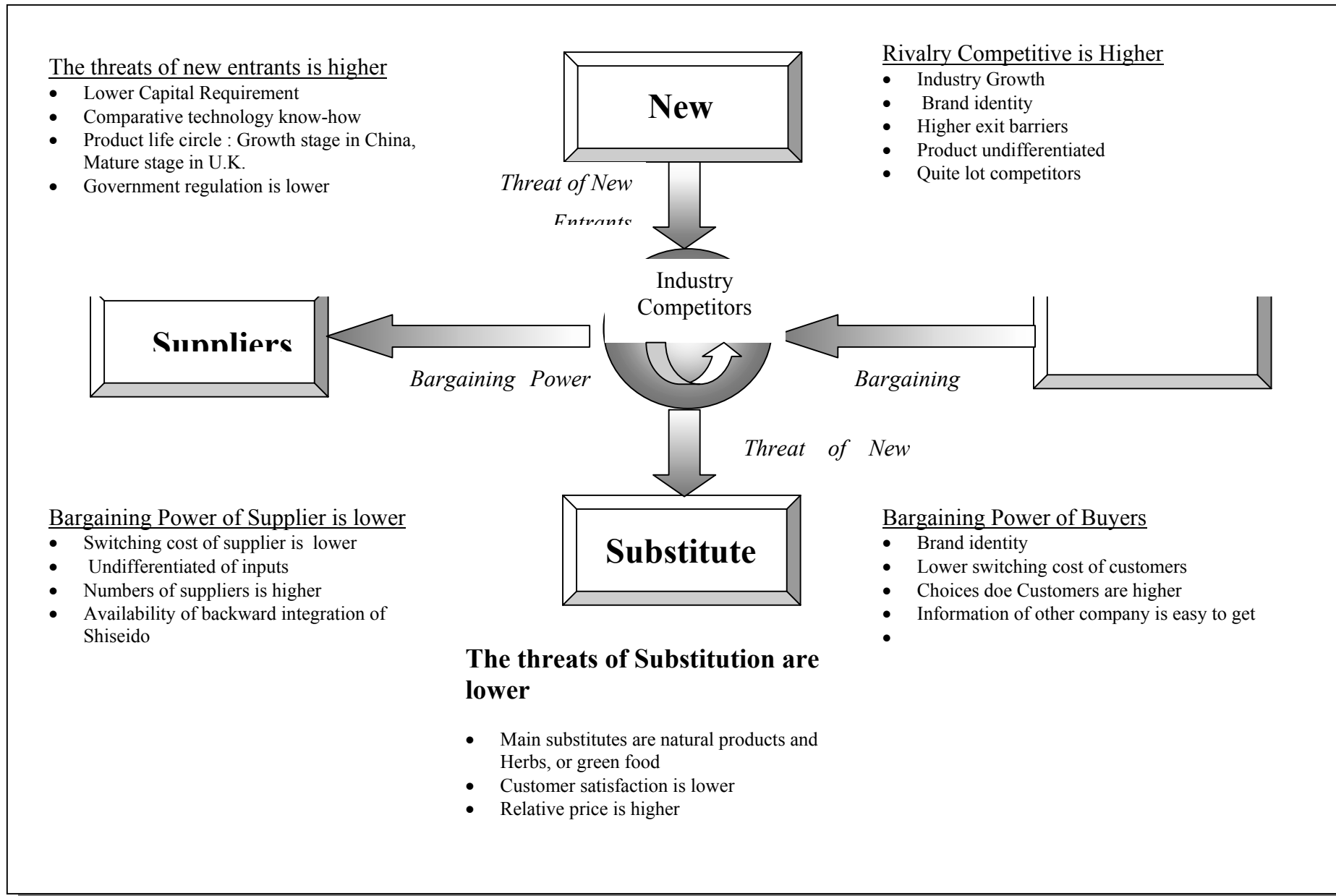
The competition of Cosmetic industry both in Chinese market and U.K. markets is very extensive. Table 4.5 Show the competitive situation of those 5 forces in Chinese and U.K. markets. Due to the higher bargaining power of customers and the threats of new entrants, The competition is very higher in Cosmetic industry. Two ways to release the extremely competitions are through decrease the price of supplier and to the substitutes, however, due to the long relationship with supplier of Shiseido, and the rare substitutes products, the competition pressure can't release to a expected level, therefore, the competition of cosmetic industry remains higher.

Marketing based pricing strategies will have to take into account the prevailing prices of competitors' products, whether imported or domestically product. A substantial local based industry is likely to create more intensive competition in less developed local markets due to cheaper costs of productions.

As the growth stage of cosmetic in Chinese market, Shiseido facing not only the global competitors such as : Calvin Klein, Christian Diror, Channel, etc, but also the extremely local competitors such as Yusei, Zheneng mingming, which serve majority of the market share¹⁷ at a moderate price due to the local lower GDP , I discussed in

¹⁷ Information from http://GI/DS/chinabeauty_market.htms

3 Table 4.5 Competition in U.K. and Chinese



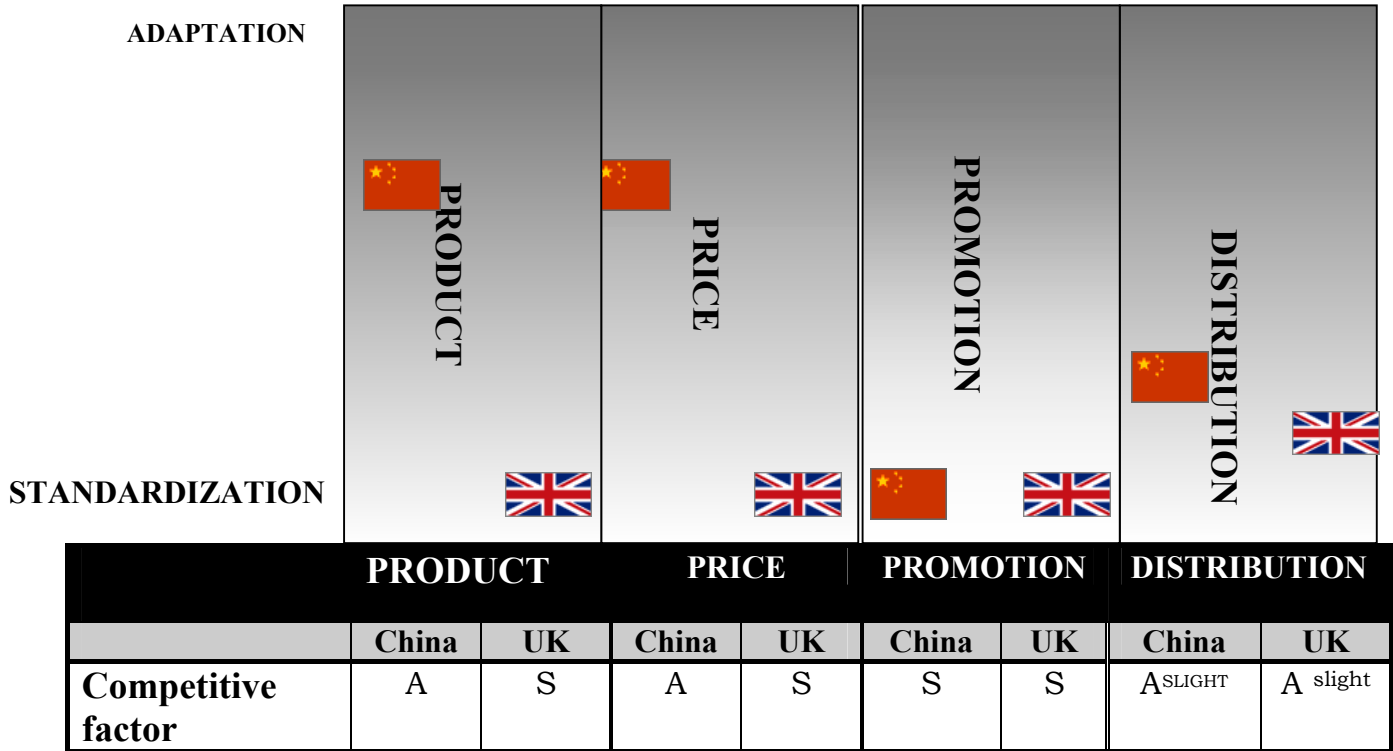
economic factor. For more penetrate into Chinese market, Shiseido developed a new Shiseido product with different brand name, and associated with a lower price still stand at the prestige market. However, in U.K. market, the most competition pressure is from the global brand, therefore the adapted product and price is not so essential in U.K. market

Similarly, the more intensive the domestic and the imported product competition, the higher the quality a MNE need to be. If however, the only competitions are domestically produced and is of an indifferent quality, then quality levels are less significant. Hence, the product will need to be adapted accordingly. This is another reason Aprus could shared 23% of the total Chinese market , outstanding to other global brands. The standardize product is essential in U.K. market due to the higher quality sensitivity of U.K. consumer, however, the price conscious Chinese consumer prefer a good quality product with moderate price.

Besides that, distribution channel may have to be adapted when the manufactures have exerted pressure on retail outlets to discourage them from selling higher price product. When this arises, adaptation can't take the form of traditional distribution channel. In China, the traditional retailer could not offer the higher price to retail Shiseido's product, thus the only distribution channel is selling at high-class department stores. Comparatively, in U.K. Besides department stores, Shiseido Company could employ Boots and other cosmetic shops as distribution channel.

As a result, Competitive factor causes the adaptive price and product of Shiseido's marketing strategy in Chinese, due to the extremely local competition, while in U.K. market a standardised price and product remain. At the same time, the distribution channel is adapted in different degree in China and U.K.

FIGURE 4.5 COMPETITIVE FACTORS' EFFECT ON SHISEIDO'S MARKETING STRATEGY



4.6 Technology factor

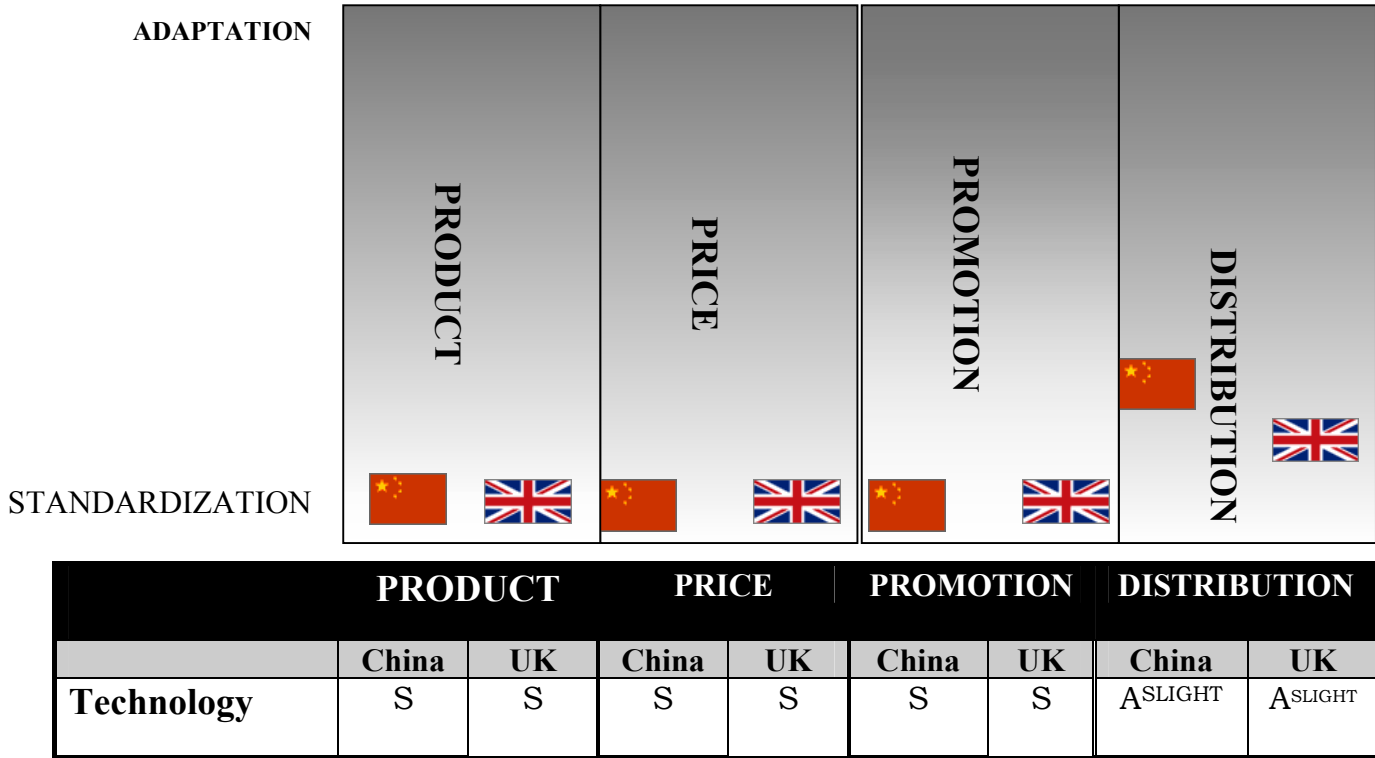
Technology has an influence on all aspects of business from the very general to the very specific level of the external environment, so as affect a MNE's marketing strategy. Technologic factor concerns whether the local market has sufficiently developed technology to take full advantage of the product. High technologies are required to make full use of the variety of the promotional methods using alternative advertising media as television or web sites. However, the standardised product and promotion methods in U.K. didn't influenced by technologic limited as well as the adapted product and standardised promotion in Chinese market.

Technology also influences the market infrastructure. By this means that the availability and the quality of the country's support services such as advertising agency, distribution channel and marketing research organisations. In China, the distribution channel is occupied so many layer of wholesaler and distributors. The distribution of Shiseido is forced employed high-class department stores due to the in-completed distribution system, causes that so many marketers could not reach its product. However, this kind of problem is not existing in U.K. market due to the completed distribution channel.

Similar considerations apply to the distribution of the product, In China, where such technologies are in a rather introduction stage, adaptation is required such that a greater extent of use is made of distribution channel in the future. On the other hand, in U.K. the Internet purchasing as a potential distribution channel will coming soon as well as in Japan.

As a result, technology different in China and U.K. cause different degree of Shiseido's distribution channel even influence the opportunity in the future's potential channel.

FIGURE 4.6 TECHNOLOGY FACTOR'S EFFECT ON SHISEIDO'S MARKETING STRATEGY

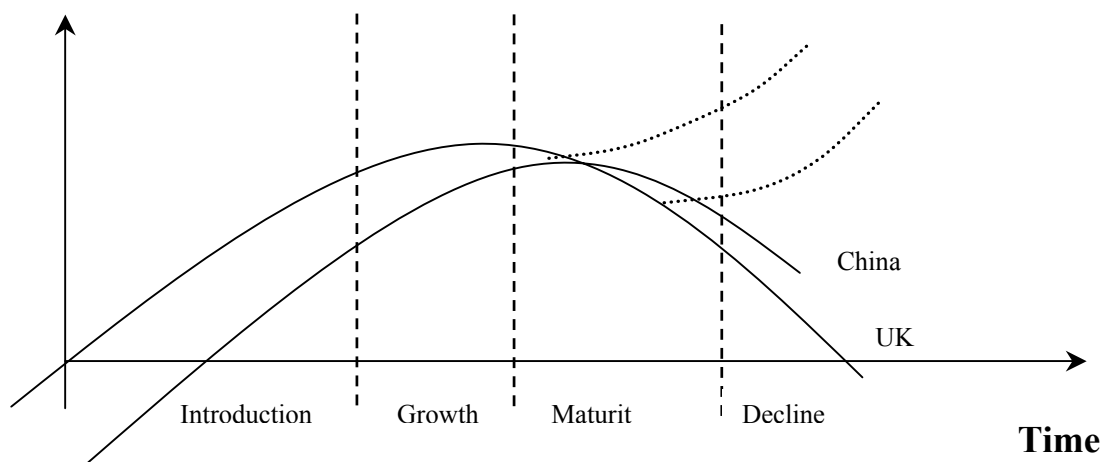


4.7 Stage of product life cycle

The product life cycle is the 'natural' life span of a particular product or service and may last for a few short months or many years. (Capon, 2000). There are four stages in a product life cycle: Introduction, growth, maturity, decline. Companies need to adopt different marketing strategies depending upon the stage of the product life cycle.

FIGURE 4.7.1 PRODUCT LIFE CYCLE IN U.K. AND CHINA

Sales & Profit



A product in the introduction phase of the product life cycle will have relatively few buyers and those that are promotional are crucial. At the growth stage, a new product will sell well and the price will rise to recover the cost of continually promotional activities needed to allow sales to grow. However, at the maturity stage, the overall aim is to keep the product at the peak of the maturity where price competition is very crucial. After this stage, decline will come with cultivation of the product, there will be a lower price instead of promotional activities. However, due to the initial development and research programme, the costliest part of the process, should be recouped by the company during the growth and maturity stage.

It is already well established that the product life cycle of a product can only be conceptualised within a specific national market. This is because products do not always occupy the same stage in the life cycle between different countries.

At the same time, the stage of the product life cycle suggests the level of competition and, hence, influences strategy. A product in the growth part of its life cycle will be faced with more competition, forcing a tighter focus on product differentiation in order to achieve positional advantage. Also, by this time, the product tends to be globally known and can make regional changes without significantly affecting its cost structure (Samiee and Roth 1992).

Cosmetics are by common consent, in the growth stage in China but in their maturity stage in Japan and U.K. Therefore the initial price in China should be higher than any stage of the product life cycle, Shiseido raise its price from maturity stage in Japan to growth stage entered China. However, both Japan and U.K. is at the maturity stage of product life cycle, the standardised price transferred from Japan to U.K. market. A little higher price is due to the political reasons. At the same time, the product and distribution channel should also be adapted due to the different PLC stage in Chinese market. Shiseido's new product Aprus is really fit the requirement of PLC in China.

As a result, Product life cycle influences Shiseido's pricing and product adaptation in Chinese market and a standardised price in U.K.

4.7.2 PRODUCT LIFE CYCLE FACTOR'S EFFECT ON SHISEIDO'S MARKETING STRATEGY



4.8 Organisational factor

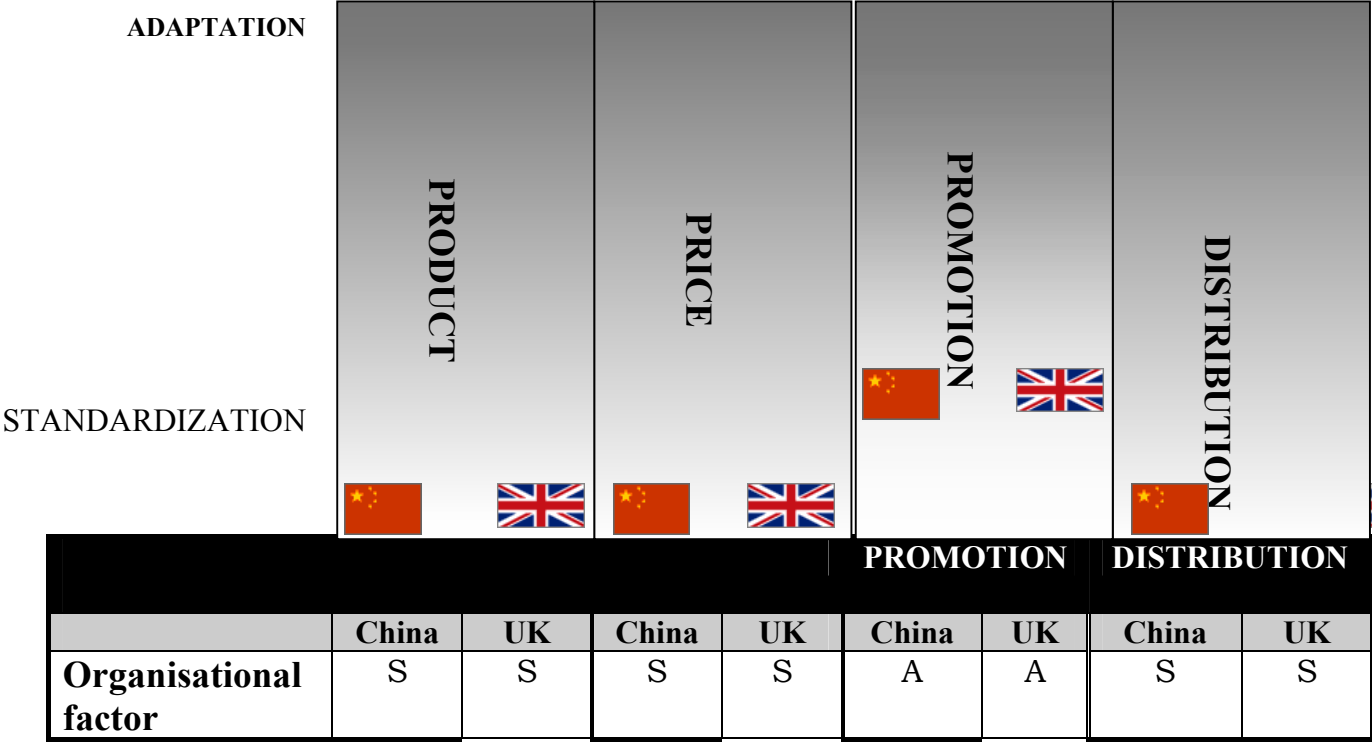
According to Vrontis's 'AdaptStand', Organisational factors are concerned with corporate orientation, headquarters-subsidary relationship, delegation of authority, and organisational financial capability. To accelerate globalisation, and ensure that Shiseido's marketing response swiftly to trend changes in Local market, Shiseido established three regional headquarters, in Asia/Ocean, the America and Europe.

It should be mentioned that Shiseido's success turns on its ability to create a global; strategy that does not stifle the local needs. It is a delicate balancing act, one that often means giving foreign managers the freedom needed to adjust the marketing mix to meet the changing tastes of their home markets. (Business week,1990) Therefore, the delegation and the relationship of the Headquarter-subsidary factor rare influencing the adaptation and standardisation marketing mix strategy of Shiseido Company.

However, the organisational financial capability really constrains Shiseido's standardisation of promotion strategy. According to the annual report of 2000, 85% of the sales are from it home country—Japan, although Shiseido's overseas sales increased recently, the home country's financial capacity remain the most strongest aspects. In Japanese promotion through newspapers, magazines as well we through T.V programme. However, Due to the higher cost of T.V. advertising, the Commercial advertising on T.V is only employed in Japan. All of the overseas promotion strategy is standardised Adapted by using Magazine and print media, which transferred from country to country, occasionally, the promotion events are taken place in department stores.

As a result, the organisational factor constrain the promotion of Shiseido adapted in both in Chinese and U.K. market remains the same as well as all over the world. Other elements of marketing mix are seldom influenced by this factor.

FIGURE 4.8 ORGANISATIONAL FACTOR'S EFFECT ON SHISEIDO'S MARKETING STRATEGY



4.9 The nature of the product

Products or services characteristics influence Company marketing mix standardization. some products or services are more global and require less adaptation on the whole. Some products, generally shows the highest amount of sensitivity toward differences in national tastes and habits.

Cosmetic is non-durable consumer product, the nature of the product requires a marketing mix towards to standardization. However, in some country like China, other factors are more important consider to the adaptation or standardization strategy of Shiseido. The influence of this factor could be ignored.

Chapter 5. Recommendations

After the examination of Shiseido's marketing strategy in Chinese and U.K. we find that Shiseido is a global marketers in the world-wide. The standardization polarity appears to be appropriate for Shiseido company although the higher adaptation is very necessary in Chinese market. However, there are still some withdraws should consider to its marketing mix standardization and adaptation.

5.1 A adapted global standardization strategy

Shiseido actually is employing standardized marketing strategy through all over the world excepts in Chinese market, which is the only highly adapted market for its Shiseido original skincare product.

It can be seen that there is a global markets for Shiseido and capitalising on their market maximizes the ability of Shiseido to benefit from economic of scale, global uniformity and consistency with the mobile consumer. A standardized global product enables Shiseido to achieve the competitive advantages across the world.

However, as I discussed above, the climate and the ethnic factor cause the different skin type, for which might be is better to adapt it product to local style. For the purpose of protection of Shiseido's original brand and product value, Shiseido solve this kind of problems in U.S. market and France market by developing a new product line associated with a new brand name to achieve another form of adaptation.

(<http://www.shiseido.co.jp/companyinfor.htm>) However, due to the small scale of U.K. market and a newly focused market, there is not a new product line service this market.

Compare with main competitors, which employed a standardized marketing strategy all over the world. Shiseido is more outstanding in Chinese market since the adapted marketing strategy. But in western worlds, Shiseido is really lagged to them although it has been growing in its overseas sales. Another reason might be the original product of Shiseido's main competitors like CD, CK, Channel, are from western world where

the products are fit for local customers. Moreover, most of those competitors' customer is in western world. The same problem as Shiseido in U.K. the standardized product need adapted for eastern world.

Therefore, a slightly adapted product might be more profitable for Shiseido due to the different type of skin and the difference of climate.

5.2 Multi-brand marketing strategy

A multi-brand strategy pushes the successful of Shiseido, The Shiseido brand, covers prestigious products in overseas market and wide range of products. Shiseido brand is a really standardized product and for the protection of original brand, alternatively, more satisfy the host country's customer, a multibrand strategy employed by Shiseido. From 1970's so many new brand name were developed associated with adapted marketing strategy.

However, Shiseido must have been disappointed. In the year to March 1999, Shiseido's net profit fell by nearly 4% to vio 3 billion on sales that is 3%lower. Besides that, by my financial ratio analysis, we found that the return on asset of Shiseido is very lower than the average. Despite some recent successes, Shiseido 's new products have often sounded better than they are. Although the group launches hundreds of new positions and lotions each months-a spokeswoman admits, "nobody really knows how many brands we have"-many are reworked versions existing concoction.

Thus, It is the time for Shiseido cut back some repeated and relayed product. Shiseido should reform the company product structure and product policy. For example: closing some non-Shiseido's brand instead of a new strategy of some version of adaptation to local market

Recall to my discussion in financial analysis, Shiseido has a relative long collection period, and the higher pay out ration associated with a lower debt / equity ratio. Thus due to the highly investment in the R&D and subsidiaries over the world, and the high

degree of diversification business strategy (Shiseido diversify its business into Food industry, <http://www.Shiseido.com>) , it's profitability remains lower compare with its competitors although Shiseido has a increased sales recently.

Shiseido Company should borrow more funds and increase its debt/equity ratio to invest to its adaptation of original product or at least adapted its Shiseido brands product instead of the multi-layered product. Therefore, the efficiency of its financial situation would be increased.

5.3 The perfect balance point

According to Vrontis, there is a integration between standardization and adaptation. The more degree adaptation of a company's marketing mix, the more higher customer satisfaction, on the other hand, the higher cost to the product. Thus, the company should consider its product in relations to the variable cost as a view not only increase customer satisfaction but also the opportunity cost of this product will higher than the variable cost of this product.

I always believe that there will have a perfect point, where indicates the perfect balance degree of standardization and adaptation:

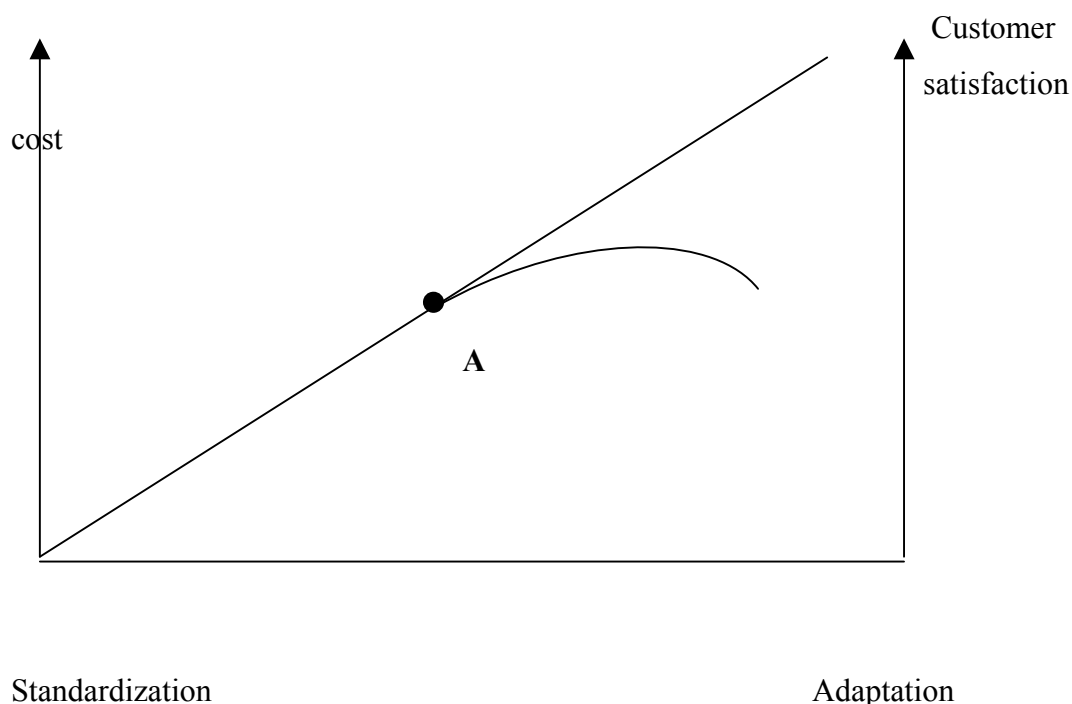


Figure 5.1 Perfect balance of standardization and adaptation

From the figure, we could see that, Point A is the most profitable point for a company integration of standardization and adaptation. The more adaptation, the more higher customer satisfaction, the more product cost. If it is true, every company will achieve the adaptation strategy to achieve higher customer satisfaction, however, when the adaptation reach Point A, which would be the perfect point, where customer have highest satisfaction, and the most opportunities of the company. But after A, the continually adaptation, will coming the higher cost and decreased customer satisfaction as well

Therefore, Shiseido should pursue the perfect point A, However, how to decide the point A would be a critical question to every company and should be the future research topic for international marketing.

Chapter 6 Learning and Comprehensives

Trough the research of my MBA thesis, I have learned how do external, and internal factors that influence the adaptation and standardisation of a MNE's marketing mix, and many important methods, which would be very feasible in relations to my future academic career and further research.

6.1 Learning from my research

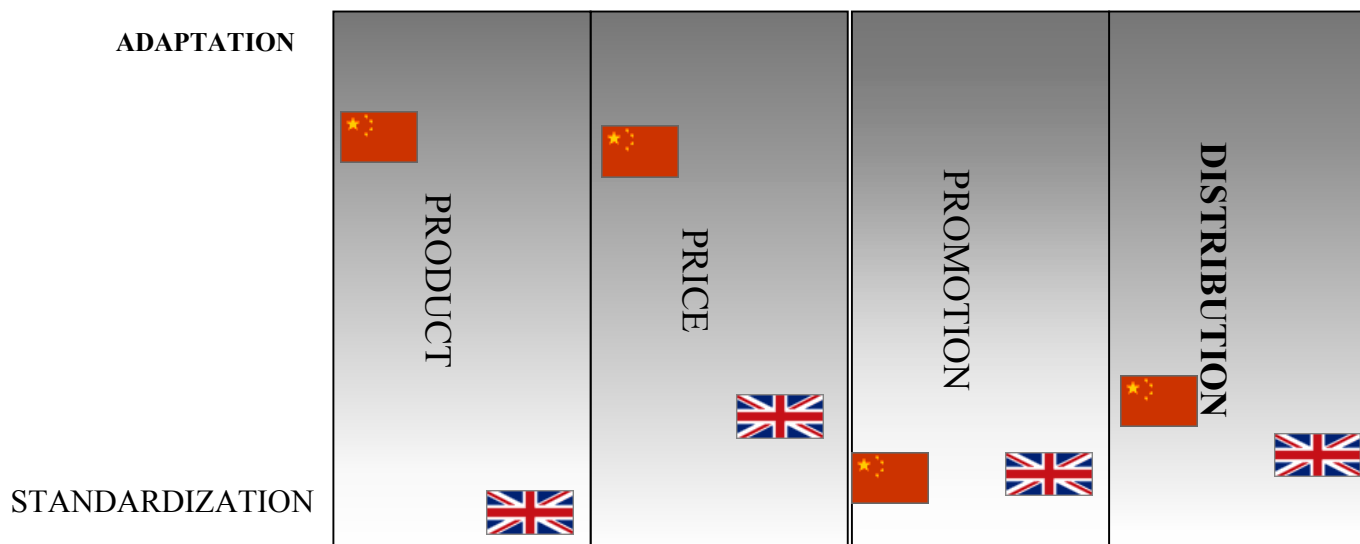
By applying Vrontis's AdaptStand framework, to examine the factors influenced Shiseido's marketing adaptation and standardisation strategy. I really deeply comprehensive Vrontis's integration of standardisation and the adaptation strategy theory.

I have learned that factors really influence MNE's marketing mix adaptation and standardisation. Those factors include market position in terms of product life cycle; market conditions in terms of cultural, economic differences; market environment in terms of political and laws, technology, physical conditions; Product characteristic and organisational factor. (see figure 6.1)

Through my research, I have found that elements of marketing mix have a higher degree of adaptation in Chinese market. In U.K. market the standardisation is the dominated strategy. However, promotion is the most standardised element both in China and U.K as well as a moderate adaptation rate of distribution channel.

In Chinese market, all of those factors (except technology and organisational factors) influence the adaptation of Shiseido's *product and price*, which are highly adapted—Product adapted into a two new product line (Aprus + Shiseido) and price is reduced by 1/3 for Aprus, Shiseido increased ¼ for Shiseido. Especially, economic factor is the critical reason for the adapted product and price for Aprus, while political factor slightly affect product and price adapted for Original Shiseido. Moreover, both of those factors (besides PLC, organisational factor and political factor) affect Shiseido's *distribution channel* slightly from multiple distribution channel such as traditional distribution chain—supermarket, all department stores and cosmetics shops,

ALL EXTERNAL ENVIRONMENTAL FACTORS' IMPACT ON SHISEIDO'S MARKETING STRATEGY



	PRODUCT		PRICE		PROMOTION		DISTRIBUTION	
	China	UK	China	UK	China	UK	China	UK
SOCIAL FACTORS	A	S	A	S	S	S	A ^{SLIGHT}	A slight
PHYSICAL CONDITIONAL FACTORS	A	S	A	S	S	S	A ^{SLIGHT}	S
ECONOMICAL FACTORS	A	S	A	S	S	S	A ^{SLIGHT}	S
COMPETITIVE FACTORS	A	S	A	S	S	S	A ^{SLIGHT}	A slight
TECHNOLOGY FACTORS	S	S	S	S	S	S	A ^{SLIGHT}	A slight
PRODUCTION LIFE CYCLE	A	S	A	S	S	S	S	S
POLITICAL FACTORS	A slight	S	A	A	S	S	S	S
ORGANISATIONAL FACTORS	S	S	S	S	A ^{SLIGHT}	A ^{SLIGHT}	S	S

drugstores to just department store in China. However, the *promotion* towards the standardisation although the limitation of organisational factor—financial restraint, Since the promotion in Japan Shiseido uses TV commercials as well as magazines, newspapers, etc., in China the only use magazine as the promotion media.

Therefore, product and price are highly adapted in Chinese market, followed by distribution and promotion due to the influence of factors. While economic is the most important factor for Shiseido in Chinese market, followed by cultural factor, competitive factor and others.

In U.K. market, *product* is highly standardised associated with a nearly standardised *promotion* strategy, which is same as in Chinese market, doing promotion through magazine versus doing advertisement through Commercial T.V as well as newspaper and magazine in Japan. However, due to the political factor Tariff influence, the *price* is adapted at a moderate rate. At the same time, the *distribution channel* is affected by cultural and competitive factor, selling at mainly department stores and cosmetics shops like Boots. The technology (distribution structure) also influences slightly to Shiseido's distribution channel. However, the highly influenced Economic and cultural factor in Chinese market do not show so much influences. Overall see Shiseido in U.K. market, there is not a highly adapted like China of its marketing mix, those factors are not influenced marketing strategy so much.

Hence, If a multinational enterprise enters into Chinese market, adapted marketing mix is very profitable and should first consider economic, and culture, followed by other factors affecting. Especially, the product and price have to be highly adapted. At the same time, a MNC enters into U.K, the standardisation should be employed to its marketing mix strategy without very serious consideration of economic factor instead of focus upon the cultural and competitive factor.

6.2 Reasons and implications for Standardization and Adaptation

Furthermore, through my dissertation I have learnt not only the advantages of standardisation and adaptation but also some implications of standardisation and adaptation.

6.2.1 Reasons and Implications of Standardisation

A MNE undertakes marketing mix standardisation around the world in its desire to achieve the economies of scale, promote a global image and branding, and offer product uniformity to the mobile consumer.

A full list of why the company is standardising its products in an international scale is given by Vrontis (1999:144): 1. Production economies of scale 2. Economies in research and development 3. Stock cost reduction 4. Consumer mobility 5. Create world-wide uniformity 6. Consistency with customer 7. Psychological meaning 8. Synergetic effects 9. Improved planning and control.

However, the implications of standardisation could be seen from the low competitive power, and lower customer satisfaction, so as influence company's market share. Due to the standardisation, company regard as the whole world as a homogenous segment, fixed marketing mix through countries ignores any different needs and environmental requirement. Like Shiseido in U.K. due to the different climate and ethnic characteristics, customers will need a really adapted skin care product, the long time remains this strategy without consideration of local requirement, the market share will decreased. Compare with other competitor like Christian Dior, Chanel, which are western world brand and product focus upon the local requirement and needs, the comparative competition power are higher than Shiseido. On the other hand, in Chinese, Shiseido's main competitors face the same problem same as Shiseido in UK's market.

6.2.2 Reasons and implications of Adaptation

The adaptation of marketing strategy will allow the company to go in line with countries' difference in culture, climate, technology, political, economic as well as consumer difference in tastes, needs and requirements.

According to Vrontis, companies that adapt product in international markets are in a position to meet: 1. Differences in the stage of development 2. Consumer differences in tastes, needs and wants 3. Differences in culture, lifestyle, consumer perceptions, beliefs, habits 4. Difference in physical environment 5. Local competition and competitive practices 6. Different Political/Legal requirements 7. Difference in economic 8. Difference in organisational factor

However, there are still implications for adaptation. First, the adaptation would be very costly. With every change in a company's market mix element, will follows so many aspects of cost like marketing research, the R&D investment, and also sometimes change in one element will change other elements as well. Therefore, a highly adapted company should really carefully considers the opportunity cost and the variable cost.

Besides that, because business strategy and marketing strategy is inter-related, higher adaptation will coming out with a diversification strategy, for which Shiseido already diversify to fragrance, sports and even food industry (<http://www.bizworld/Shiseido.htm>). However, the highly diversified business strategy have to be supported a really strong organisational structure and financial management. This would be another critical criteria for Shiseido's successful.

6.3 the basic frame work for a business research

Through the research of my dissertation, I have learned that the basic framework for a business researches.

First, a research question base on other literatures view in same area is necessary. I chose standardisation and adaptation of a company's marketing mix strategy as my research area. There are quite lots of literatures stress their argument for standardisation and adaptation. Like Levitt support the standardisation, while Doglus states the adaptation is vital for a MNE. At recently year, new literature like Vrontis advocates for integration for standardisation and adaptation. I am dropping into the third school and believe there is balance between standardisation and adaptation.

my research question is: *How does the international market internal and external factors impact on the outcomes of Multinational company's Global Standardisation and International Adaptation strategy of marketing mix?* By answer my question, I applied Vrontis's "AdaptStand" approach to examine Shiseido—the ranking No.4 Japanese based cosmetic company in the world. Thus, my methodology is a case study.

According to Vrontis's "AdaptStand" framework, the decision on identifying the degree of standardisation and adaptation in dependent upon five determines, These are market position, market environment, nature of the product, target market and organisational factor. Due to the limitation of 20,000 words, I examined several most important factors which influence Shiseido's marketing standardisation and adaptation in terms of Economic, Cultural, Political, Technology, organisational factor, physical condition factor, competitive factor, Product life cycle.

As for I chose methodology—case study, instead of questionnaire, which is the most popular method for a business research. Because mailing and follow up with hundreds of companies are time and resource consuming. Given the limited time frame and resource availability for this research project, this methodology seems too luxury.

Although a frequent criticism of case study methodology is that its dependence on a single case renders it incapable of providing a generalising conclusions, as the purpose of this research project is to understand the environmental factors' effect on company's international marketing adaptation at a relative detail level. I choosing a suitable size of the sample for an intensive analysis seem more important. Therefore, in stead of targeting a number of companies, I decided to carry out an in-depth analysis of the international marketing strategy of a single multinational company. That will enable me to focus all available resources to a single point and dig into a deep layer within a limited time frame. The result could be a prototype for a further study in a more complex environment.

After the examination of Shiseido's marketing strategy in Chinese and U.K. market, I find that both of those factors do affect the standardisation and adaptation in China and U.K. Since these factors are different between two countries, Chinese market has a higher degree of adaptation than in U.K, where the marketing strategy more towards to standardisation. The most critical factor in Chinese market is economic and cultural factors, which coming out with a highly adapted product and price strategy of Shiseido. Instead of that, those two factors are not so obvious in U.K., where the marketing structure and competitive factor have slightly influence Shiseido's distribution, political factor moderate influence Shiseido's price strategy.

In U.K. market it is the same result as Vrontis (1999), he research 500 U.K. largest companies, by employing a questionnaire methodology and draw the answer is that the most easy standardised element of marketing mix is product, followed by promotion, distribution and price. However, due to the different economic system and cultural considerations, Chinese market would be a special market for every Multinational Enterprise.

Hence, my outcome is that those external and internal factors influence of the balance of a company's standardisation and adaptation in China is more higher than in U.K. Due to the different environmental and internal factors.

6.4 Limitations of my research

This research also subject to a few limitations.

First, the pitfall of my methodology. Although I have presented the important factors impact Shiseido's marketing strategy, due to the nature of the case study I conducted, I have only examine one Multinational Company—Shiseido in Chinese and U.K. market. The frequent criticism of case study methodology is that its dependence on a single case renders it incapable of providing generalising conclusions. Other companies and Shiseido company in other countries need to be tested in future research. To do so, different types of companies and different of countries have to be surveyed.

Second, by applying Vrontis's "AdaptStandard" approach, due to the words limited, I have only examined 9 different factors, actually there are quite more than these amounts of factors still need be conducted. Moreover, the nature of the theory still need be examined because the third school argument of standardisation and adaptation is a new research topic for us, and the third school literatures are emergence recent years, a really perfect theory would need long time and long way to be practised. I believe that there must have more and other important factor should be discovered in the future. Besides, Vrontis's "AdaptStandard" approach presents the external and internal factors influence marketing mix (4ps), however, this theory ignores the inter-relationship between the marketing mix elements. For example: the changes in product inevitably coming out with changes in price, or distribution channel.

Third, the answer to the research question still could not find to what extent those factors could influence the adaptation and standardisation integration. This will be a really UN-answered question to every third school literature. To do so, there will be a lots complicated survey, multiple research methods and quite tough of information need be collected.

Finally, due to the time limitation and my economic situation, although I was invited to meet the marketing supervisor of Shiseido Company, this could not be a reality. I still feel pity that just collect the information through secondary data, and email to the customer service officer. However, I thanks a lot for the helps from Miss. Maria, who is the consumer service officer and provided me quite a lot useful information through email.

Conclusion

The recurrent theme in the international marketing is whether companies should aim for a standardized or adapted marketing approach, which is very much in the academic literature and is a concern for every multinational company and marketing practitioner.

The recent debate on Standardisation and adaptation first appeared in the 1960s but it has now re-appeared with a fresh vitality due to the controversial sweeping statements of the likes of Professor Levitt (1983) and Lynch (1997). Writers on globalisation support them while others strongly oppose them and the key writers on this topic include writers like Douglas and Wind (1987) and Chang, (1995). However, recently years a certain consensus has emerged which acknowledges that Standardisation and Adaptation is co-existing. Like Quelch & Hoff (1986), Akaah (1991) Wang (1996) and Vrontis (1999)

It is suggested that total standardisation or adaptation of the marketing mix is unlikely to happen in any one company. Consequently, neither complete standardisation nor total adaptation represents real business response. The goals of standardisation include: 1. Production economies of scale 2. Economies in research and development 3. Stock cost reduction 4. Consumer mobility 5. Create world-wide uniformity 6. Consistency with customer 7. Psychological meaning 8. Synergetic effects 9. Improved planning and control. While the advantages of adaptation could be seen from: 1. Differences in the stage of development 2. Consumer differences in tastes, needs and wants 3. Differences in culture, lifestyle, consumer perceptions, beliefs, habits 4. Difference in physical environment 5. Local competition and competitive practices 6. Different Political/Legal requirements 7. Difference in economic 8. Difference in organisational factor

This study focused on an examination of the reasons pulling multinational companies to adapt or standardise international marketing mix programme. And how do these reasons affect the standardisation and adaptation decision.

Specifically, this research has identified that a number of reasons for a company to adapt. There are quite lots of external and internal factors should be taking into account when a company attempts to find the critical balance point. According to Vrontis, those factors including Economic, political, cultural, and technology, physical condition / demographic factor, competitive factor, product life cycle, organisational factor (internal factor). Other reasons and factors pulling marketing mix behaviour towards adaptation or standardisation were presented. As reported by Vrontis, these factors are of less importance, however, they can't be ignored. Like target and positioning strategy, and the nature of product.

This research examined those factors involved in the process of Shiseido's standardisation and adaptation approach, together with the multinational Companies desires to reap the benefits of standardisation, do not allow international adaptation to be used in an absolute manner. Similarly, due to the influences of those factors as well as the companies' desire to satisfy customer's diverse needs does not allow standardisation to be practised extensively, as suggested in the literature. When facing the dilemma of implementing marketing mix strategy, it was found that the researched Shiseido Company integrated the processes of adaptation and standardisation. Results of this study suggest that multinational companies are not solely adapting or standardising their marketing mix elements.

Marketing directors and managers are not making a one-time choice. Shiseido Company operating in several countries finds it extremely useful to integrate marketing mix. This research has identified that Shiseido Company place a different level of importance on the above reasons associated with global standardisation and international adaptation of marketing mix in Chinese and U.K. market. Both of those factors present a different degree of influences in Shiseido's marketing mix adaptation.

In chapter 5, I have found that elements of marketing mix have a higher degree of adaptation in Chinese market. In U.K. market the standardisation is the dominated strategy. However, promotion is the most standardised element both in China and U.K as well as a moderate adaptation rate of distribution channel.

In Chinese market, the most critical factor is economic, for which Shiseido's product and price, which are highly adapted—Product adapted into a two new product line (Aprus + Shiseido) and price is reduced by 1/3 for Aprus, Shiseido's original product increased one quarter. while political factor slightly affect product and price adapted for Original Shiseido. Moreover, both of those factors (besides PLC, organisational factor and political factor) affect Shiseido's distribution channel slightly from multiple distribution channel in Japan to just department store in China. However, the promotion towards the standardisation although the limitation of organisational factor—financial restraint. Therefore, the most highly adapted marketing mix in a order from product, price, distribution channel to promotion. While economic is the most important factor for Shiseido in Chinese market, followed by cultural factor, competitive factor and others.

In U.K. market, product is highly standardised associated with a nearly standardised promotion strategy, which is same as in Chinese market, doing promotion through magazine versus doing advertisement through Commercial T.V as well as newspaper and magazine in Japan. However, due to the political factor Tariff influence, the price is adapted at a moderate rate. At the same time, the distribution channel is affected by cultural and competitive factor, selling at mainly department stores and cosmetics shops like Boots. the technology (distribution structure) also influences slightly to Shiseido's distribution channel. However, the highly influenced Economic and cultural factor in Chinese market do not show so much influences. Overall see Shiseido in U.K. market, there is not a highly adapted like China of its marketing mix, those factors are not influenced marketing strategy so much. The highly standardised marketing mix program could be ranking from product, promotion, distribution channel and promotion. This result is also the same to the research outcome of Vrontis in 1999.

Hence, If a multinational enterprise enters into Chinese market, adapted marketing mix is very profitable and should first consider economic, and culture, followed by other factors affecting. Especially, the product and price have to be highly adapted. At the same time, a MNC enters into U.K, the standardisation should be employed to its

marketing mix strategy without very serious consideration of economic factor instead of focus upon the cultural and competitive factor.

Shiseido Company has a relatively appropriate balance of standardisation and adaptation in Chinese and U.K. market, however, Shiseido was recommended to take some reforms to its target market strategy and multibrand strategy. Besides that, a higher degree of adaptation still need in U.K. to increase its return on equity and profitability.

Furthermore, Company should simultaneously focus its attention on aspects of the business that require global standardisation and aspects that demand local responsiveness. When appropriate processes are standardised, however, operation in local market necessitates the maintenance of the appropriate local flexibility. Companies are striking to find a balance. This is not a straightforward task, and as identified, the balance between standardisation and adaptation is a challenger and very difficult to achieve.

Possibilities and Directions for future research

As discussed in the introduction, the initial aim of this study was to increase understanding of the decision choices available to marketing directors and managers of multinational companies, in integrating both standardisation and adaptation strategy. This idea was abandoned because of the latest new research field. Consequently, the outcome of the present study is based on a sample company Shiseido in U.K. and Chinese rather than in the world market. A future suggestion for research is to undertaken similar research on Shiseido, beyond Chinese and U.K. market. This could be to identify similarities and differences in Shiseido's behaviour resulting from developing or developed countries, which could compared with Chinese and U.K. market as they are developing and developed countries.

Moreover, a similar research design and methodology could be applied on a sample of other foreign company, particularly US, and European Multinationals. The results of such a study could then be compared to the present findings to identify any difference in behaviour based on multinational companies' country of origin.

The case study was the chosen research method for this study. Future research could use a different research method. When access is permitted to a number of multinationals, this could be made through questionnaire to companies sharing the same market in the part of the world. Results deriving from such research could then be compared with the result of this present research.

Future research could also be made on the basis of examining the relatives of implementing this research's results and contribution to knowledge of multinational companies to enter Chinese and U.K. market. This would include the attempt to identify whether the AdaptStand approach could be successfully applied to other multinational companies and the validity of this presented research.

An examination of the above issues would add significantly to the body of empirical evidence available to marketing academics for integrating international marketing performance across national markets.

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