

A Comparative Analysis of MNC's Promotion Activities to Home and Host Country

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다국적기업의 판매촉진전략에 관한 비교분석

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1. Introduction

The way a firm promotes or sells its products in international markets depends on a host of factors : the firm's total marketing philosophy, the level of centralization or decentralization, the type of products it offers and many others. Thus the intricacies of international communication become pertinent only when a firm operating in many markets seeks to coordinate these activities so as to achieve some sort of synergy among them.

In fact, Promotion Strategy—the most effective blend of communication lies at the very base of both domestic and foreign marketing. Advertising, sales promotion, personal selling and publicity comprise the communication contact between the firm and its customers. As such, they are among the most visible and probably the most controversial of marketing efforts(Kahler and Kramer 1977).

The same importance is given by Miracle and Albaum(1970) who say, "Although a promotional program is an integral part of marketing mix, it can be visualized separately as a subsystem(a collection of inter-related activities) which we will call the promotional 'mix' or promotional program." A promotional program may include such activities as product advertising, corporate advertising, personal selling, sales aids and a wide variety of other sales promotional activities.

These promotional mix represent alternative communication channels which the international marketer can use to interpret the value of products and services to the potential foreign customer.

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The appropriate mix will vary with the type of product, with the management belief in the efficacy of the various elements in the specific situations and with the alternatives that are actually available in a foreign market.

In reality, international marketing research has empirically examined, for various countries, differences in (1) consumer propensity to purchase a particular product (consumer product or Industrial product), and (2) the effectiveness of promotional activities at enhancing the probability of purchase.

However, according to Albaum and Peterson(1984), these studies have not been sufficiently programmatic. Albaum and Peterson(1984) reviewed 111 empirical studies, and observed that over 30% involved the U.S. as a market area, while over 10% were concerned with each of three Western European countries, the U.K., France, and West Germany. Fewer than 30% of the studies were directed toward understanding consumers, the majority being aimed at commercial organizations.

In the international arena, consumer-oriented promotional strategies have been severely under-researched(Li and Cavusgil 1991).

Therefore, The purpose of this study is not only to investigate the usage of major elements of the promotion mix in MNC's host and home countries but to find the differences between the relative importance of MNC's promotional mix components between host and home countries by the use of factor analysis.

2. Background

2.1 Reviews on Standardized Promotion Strategy

Levitt(1983), in his article entitled "The Globalization of Market", argues in favour of standardization of the marketing strategy in a very forceful way. He argues that, "a powerful force now drives the world toward a single converging commonality, thus homogenizing markets everywhere."

According to Levitt(1983), more and more people everywhere are growing more alike in their wants, desires, and behaviour. he asserts that well-managed companies have moved from emphasising on customizing items to offering globally standardised products.

In a field study of advertising transferability in Europe and the Middle East conducted during the 1960's, Dunn(1966) found that successful U.S. print advertisements were surprisingly transferable. Several French and Arabic versions were created by professionals and tested under controlled field conditions in Paris and Cairo. These were, however, strongly visual and they promoted consumer products that varied little in positioning from country to country. Peebles & Ryans(1980) suggest that the multinational firm is tempted to follow

automatically the precept that cultural differences necessitate different advertising campaign for each national markets, while this has clear disadvantages for many firms who could successfully utilise a high degree of standardization.

Additionally, Fatt(1967), a top advertising executive argues that, though marketers cannot ignore nationalistic tendencies and other hidden hazards in international advertising, universal advertising appeal communicated in local idiom can be more effective than the locally created themes. Fatt(1967) insists that more and more products come to the market, basic appeals can be very effective advertising.

2.2 Reviews on adaptive promotion strategy

Wind, Douglas, and Permuter(1973) have suggested that the concept of the world as one big market('geocentric' approach) has been greatly overrated. They believe instead that the 'polycentric' or regiocentric approach is preferable. Also, Sutton(1974), pointed out that "people are alike" theory has become a dangerous over-simplification. He suggested that international campaign will be of lesser value in the future and that "local", 'tailor-made' advertising will become more effective.

Moreover Weissman (1967) emphasises the obvious dissimilarities between the market of various countries especially those for consumer goods and argues in favor of using internationally differentiated marketing programs. Green, Cunningham & Cunningham(1975) test that the acceptability of standardized advertising and conclude that it is not possible. Even in the case of cosmetics, soaps and drugs, group of consumers from three foreign countries are tested to determine whether they perceive the same product attributes important in the purchase of two common convenience products as a comparable group of consumers in the United States.

The findings indicate substantial and consistent differences between the Americans and the other group which suggests the inadvisability of standardized global advertising in these cases and perhaps in general.

2.3 Differences in response to Promotional Activities between countries

International and cross-cultural marketing studies have noted that consumers in different countries may vary in their propensities to adopt product or services. Researchers have attributed observed between country differences in adoption to dominant cultural characteristics of the country, such as economic factors(Green et al.1983; Sethi 1971), urbanization(Hill and Still 1984), education(Sethi 1971).

Jain(1989)summarizes these results by noting that culture influences "the products people buy, the attributes they value, and the principals whose opinions they accept".

Consumer needs may also be expected to differ within national markets(Cavusgil and Nevin

1981 : Wind and Douglas 1972 : Wind and Permuter 1977).Douglas and Dubois(1977) further suggest "cross - national" segmentation, in which similar segments may be identified in multiple national markets. Levitt(1983) also recognizes that finding "similar segments across the globe" is an economic necessity.

On the other hand, Response to a firm's promotional activities may differ by country (Keegan 1969) : these differences may be due to (1) the promotional message and/or (2) effectiveness of the selected form of promotion. Differences in effective advertising messages by country have been observed by Hornik(1980) : differences in response to promotional method by country have been found to depend on social and environmental factors(Green and Langeard 1975). The above mentioned research was conducted at the country levels : Albaum and Peterson(1984), in a review of empirical research in international marketing, expressed the need for further hypothesis - based empirical study of the effects of marketing mix activities on various cultural groups within countries.

3. Empirical Test

3.1 Description of Data

The survey was made possible with the data by 252 MNCs dealing with consumer durable products, consumer nondurable products, industrial products in the U.K.. Using the simple random sampling procedure, 410 MNCs were randomly selected from the predefined population listed in 1) Top 1000 Foreign owned company, Jordan and Sons Ltd, Bristol, 1988, 2) The Times 1000 firms, Times Book Ltd, London, 1987, 3) Multinationals : Company performance and Global Trends(London : Macmilan Pub., 1983).

Of the 410 questionnaire distributed, 262 questionnaire were returned. Finally, 252 responses were selected to be used in this study. Accordingly these 252 responses consisted of 69 rseponses from consumer durable goods, 65 responses from industrial products, and 118 response from consumer non - durable products.

Table 1. Summary responses of the Distributed Qusetionnaire Survey

1. Total Distributed	410
2. Total No.of the questionnaire returned	262
3. Total Responses Deleted	-10
4. Net Total of the Responses used in this study	252

3.2 Sample size

The factors presented in table 2 were considered in estimating the sample size and total number of questionnaire to be distributed.

Of the four factors in table 2, factor 1, and factor 2 are more relevant to estimating the total number of questionnaire to be distributed. Factor analysis dictates that sample size should be at least five times number of predictor variables in the analysis.

Table 2. Factors considered for the sample size

<ol style="list-style-type: none"> 1. Factor analysis N=5P, where, P=Number of predictor variables, N=sample size 2. Split sample test 3. Estimated no. of responses to be screened out 4. Expected survey responses ratio
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3.3 Data Analysis Method

In this study, Factor Analysis were employed to extract the important components of promotion mix variables in each market respectively.

Specifically, Factor analysis is frequently employed in all kinds of research for the purpose of exploring the unknown domain by reducing complex relationship to a resulting simple linear expression and is useful in assessing the internal statistical structure of this type of instrument. (Kerlinger, 1973)

In implementing factor analysis, the following statistical approaches were used to generate unbiased, conservative results. Firstly, Bartlett's test of significance of correlational matrix was employed to determine at the outset whether there exists any relationship among variables. Secondly, Scree test and Harris procedure were employed to extract the exact number of factors.

In this study, Scree test is used as a preliminary step to subsequently execute the Harris procedure since it tends to generate less conservative results than the Harris procedure.

In the Harris procedure, a number of different factor solutions (1. Minres analysis, 2. Back-door Image analysis, 3. Image analysis, 4. Alpha analysis) are employed to examine the pattern of factor loadings across the different factor solutions employed. Among the four different types of factor solutions, the Alpha factor analysis is chosen as the most representative solution due to the consistency of the factor loadings of raw data.

4. Results

In this study, factor analysis was used in order to find out how differently multinational enterprises use their promotion mix variables in home and host countries respectively.

4.1 Factor – analyzed promotion mix variables in home country

The 252 responses to the items (mix variables) shown in table 3 were factor analyzed. Be-

fore factor analyzing the data. Bartlett's test of the significance of the correlation matrix was carried out to determine whether there exists any relationship among the variables.

The test indicates that the variables are interrelated. The scree test presented in Figure 1 indicates that three or four factors are the logical number of factors to be extracted for the analysis: the plots of the eigenvalues provided by Minres and Backdoor Image suggest three factors, whereas Image and Alpha suggest four factors.

Based on these findings, Harris procedure (Table 5) was carried out across the four different factor solutions (Alpha, BI, Image, and Minres) using two factors as the minimum trial number of factors and five factors as the maximum with 0.3 as the criterion loading point.

Of the four alternative number of factors, four factors yields the most consistent factor loadings across the four different factor solutions, as shown in table 5.

Table 4 presents the Varimax rotated factor matrix based on Minres factor solution using four factors. As in the previous Harris procedure 0.3 is used as the criterion loading. Factor 1 is significantly correlated with the variables B112, B113, B117. Factor 2 is significantly correlated with the variables B111, B115, B121. Factor 3 is significantly correlated with B118, B119, B112. Factor 4 is significantly correlated with B116, B120.

As shown in Table 4, factor 1 explains 38.7% of that total proportion, factor 2 25.3%, factor 3 18.5%, and factor 4 17.5%. Thus factor 1 can explain the largest percentage of the variation that can be explained by the four factors.

Looking at the cluster and nature of those variables that are significantly correlated with each factor, factor 1 appears to represent secondary promotion using print media, factor 2 motivation to salesforce, factor 3 promotion using mass media, and factor 4 personal selling.

Table 3. List of the variables entered factor analysis

Variables	Labels
B109	Sponsorship
B110	Exhibition at trade shows
B111	Training the customer on the usage of the product
B112	Free Technical/Managerial advice
B113	Booklets, Pamphlets, Souvenirs
B114	Demonstration/Displays
B115	Incentives to the salesforce
B116	Incentives to the middlemen
B118	Advertisements in trade journals
B119	Advertisements in newspaper/magazine
B120	Personal selling
B121	Direct mail
B122	Directories

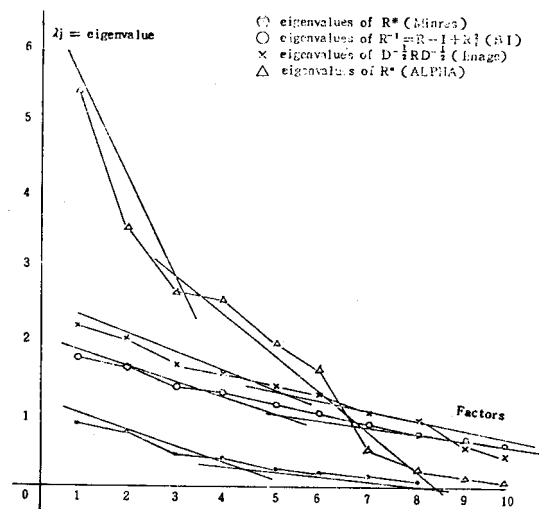


Fig 1. Scree Test-Promotion Mix

Table 4. Factor Loadings of the variables

VARIABLE	FACTOR 1	FACTOR 2	FACTOR 3	FACTOR 4	COMMUNALITY
B109	0.10708	0.29937	-0.10517	0.01073	0.11236
B110	0.06756	-0.08630	0.21033	-0.09615	0.06548
B111	-0.02438	0.48440	-0.13850	-0.03917	0.25583
B112	0.60739	-0.5684	-0.01330	-0.07610	0.37784
B113	0.43980	0.17672	0.05908	0.09922	0.23759
B114	-0.01400	0.24032	-0.20408	-0.18087	0.13249
B115	-0.06921	0.42001	0.12525	-0.01592	0.19672
B116	0.04513	-0.03042	-0.06091	-0.53208	0.28963
B117	-0.52790	0.10670	0.27484	0.10572	0.37716
B118	-0.01136	0.13057	0.56507	0.04629	0.33788
B119	-0.11899	-0.04742	0.31080	0.09560	0.12232
B120	-0.00120	-0.00532	-0.04766	0.42629	0.18388
B121	0.01942	0.44162	0.01952	0.10243	0.20658
B122	0.13310	0.18507	-0.28546	0.10424	0.15741
• Eigenvalues	5.41425	3.53969	2.59659	2.45116	
• % of Common Variance	38.7%	25.3%	18.5%	17.5%	

Table 5. Salient Loadings on Extracted Factors

Variables	(FACTORS)			
	1	2	3	4
B112	0.61			
B113	0.44			
B117	-0.53			
B111		0.48		
B115		0.42		
B121		0.44		
B118			0.57	
B119			0.31	
B122			-0.29	
B116				-0.53
B120				0.43

4.2 Factor – analyzed promotion mix variables in host country

The 252 responses to the items (mix variables) shown in table 6 were factor analyzed. Before factor analyzing the data, Bartlett's test of the significance of the correlation matrix was carried out to determine whether there exists any relationship among the variables.

The plots of the eigenvalues provided by Minres and Backdoor Image suggest three factors, whereas Image and Alpha suggest four factors. Based on these findings, Harris procedure was carried out across the four different factor solutions (Alpha, BI, Image, and Minres) using two factors as the minimum trial number of factors and five factors as the

maximum with 0.3 as the criterion loading point.

Of the four alternative number of factors, four factors yields the most consistent factor loadings across the four different factor solutions, as shown in table 8.

Table 7 presents the Varimax rotated factor matrix based on Minres factor solution using three factors. As in the previous Harris procedure 0.3 is used as the criterion loading. Factor 1 is significantly correlated with the variables B124, B125, B130. Factor 2 is significantly correlated with the variables B129, B133, B135. Factor 3 is significantly correlated with B 123, B131, B134. As shown in Table 4, factor 1 explains 42.7% of that total proportion, fac-

Table 6. List of the variables entered factor analysis

Variables	Labels
B123	Sponsorship
B124	Exhibition at trade shows
B125	Training the customer on the usage of the product
B126	Free Technical/Managerial advice
B127	Booklets.Pamphlets.Souvenirs
B128	Demonstration/Displays
B129	Incentives to the salesforce
B130	Incentives to the middlemen
B131	Advertisements in trade journals
B132	Advertisements in newspaper/magazine
B133	Personal selling
B134	Direct mail
B135	Directories

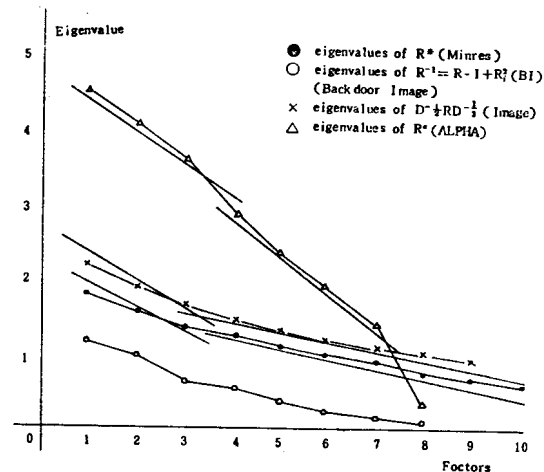


Fig 2. Scree Test - Promotion Mix

Table 7. Factor Loadings of the variables

VARIABLE	FACTOR 1	FACTOR 2	FACTOR 3	COMMUNALITY
B123	-0.08562	-0.11309	-0.26834	0.10533
B124	0.69706	0.14320	0.03855	0.27910
B125	-0.29120	0.13865	0.24157	0.09803
B126	-0.06902	-0.16666	0.08433	0.07230
B127	0.06092	0.00831	0.04171	0.03984
B128	0.20393	-0.00820	0.20105	0.15386
B129	0.19311	-0.53087	-0.02537	0.13286
B130	-0.41777	0.12480	-0.01531	0.07353
B131	0.16961	-0.02955	0.32751	0.08676
B132	-0.03082	0.04757	0.16774	0.05116
B133	0.19719	0.33203	0.05947	0.26848
B134	-0.23648	0.38937	0.47442	0.047907
B135	0.07914	0.34355	-0.28580	0.12781
B136	0.01670	0.14850	0.14383	0.05919
• Eigenvalues	7.0798	4.9489	4.5384	
• % of Common Variance	42.7%	29.9%	27.4%	

Table 8. Salient Loadings on Extracted Factors

Variables	(FACTORS)		
	1	2	3
B124	0.70		
B125	-0.29		
B130	-0.42		
B129		-0.53	
B133		0.33	
B135		0.34	
B123			0.27
B131			0.33
B134			0.47

tor 2 29.9%, factor 3 27.4%. Thus factor 1 can explain the largest percentage of the variation that can be explained by the three factors.

Looking at the cluster and nature of those variables that are significantly correlated with each factor, factor 1 appears to represent promotion using channel member, factor 2 secondary promotion using advertising media, and factor 3 promotion by personal selling.

5. Conclusions

The purpose of this study is not only to investigate the usage of main elements of the promotion mix in home and host country but to find out the differences in the relative importance of promotional mix components used in the two countries.

Using questionnaire method and personal interviews at corporate headquarter and subsidiary level, the data investigating MNC's international promotion strategy were collected from 252 MNCs handling three different types of product categories - 1) consumer durable products, 2) Industrial products, and 3) consumer non-durable products.

Our findings indicate that promotional effectiveness and activities are heavily dependent on both country characteristics and MNC's marketing goals. Specifically, In the case of Home Country, promotional mix variables were extracted into 4 factors - 1. secondary promotion using print media, 2. motivation to salesforce, 3. promotion using media, 4. personal selling - in the order of importance.

On the contrary, in the case of Host Country, promotional mix variables were extracted into 3 factors - 1. promotion using channel member, 2. Usage of secondary advertising media, 3. promotion by personal selling - in the order of importance.

These results appear that MNCs employ the adaptive promotion strategies considering

the given situations in home and host countries. Consequently, the degree of adaptive promotional activities is affected by the management's perception of the relative importance of promotional mix components in the total marketing plan.

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