

Virtual Guest Lecture

Glocalization strategy

04.11.2020

By Svend Hollensen



Pearson

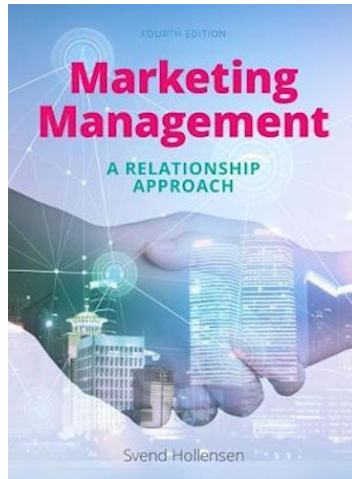
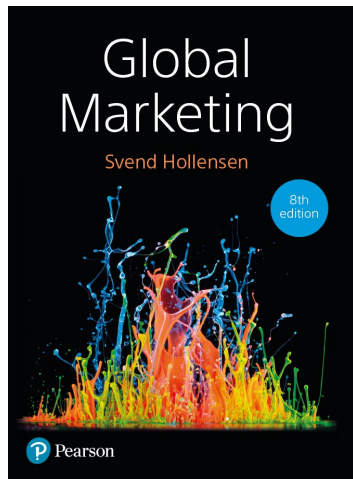
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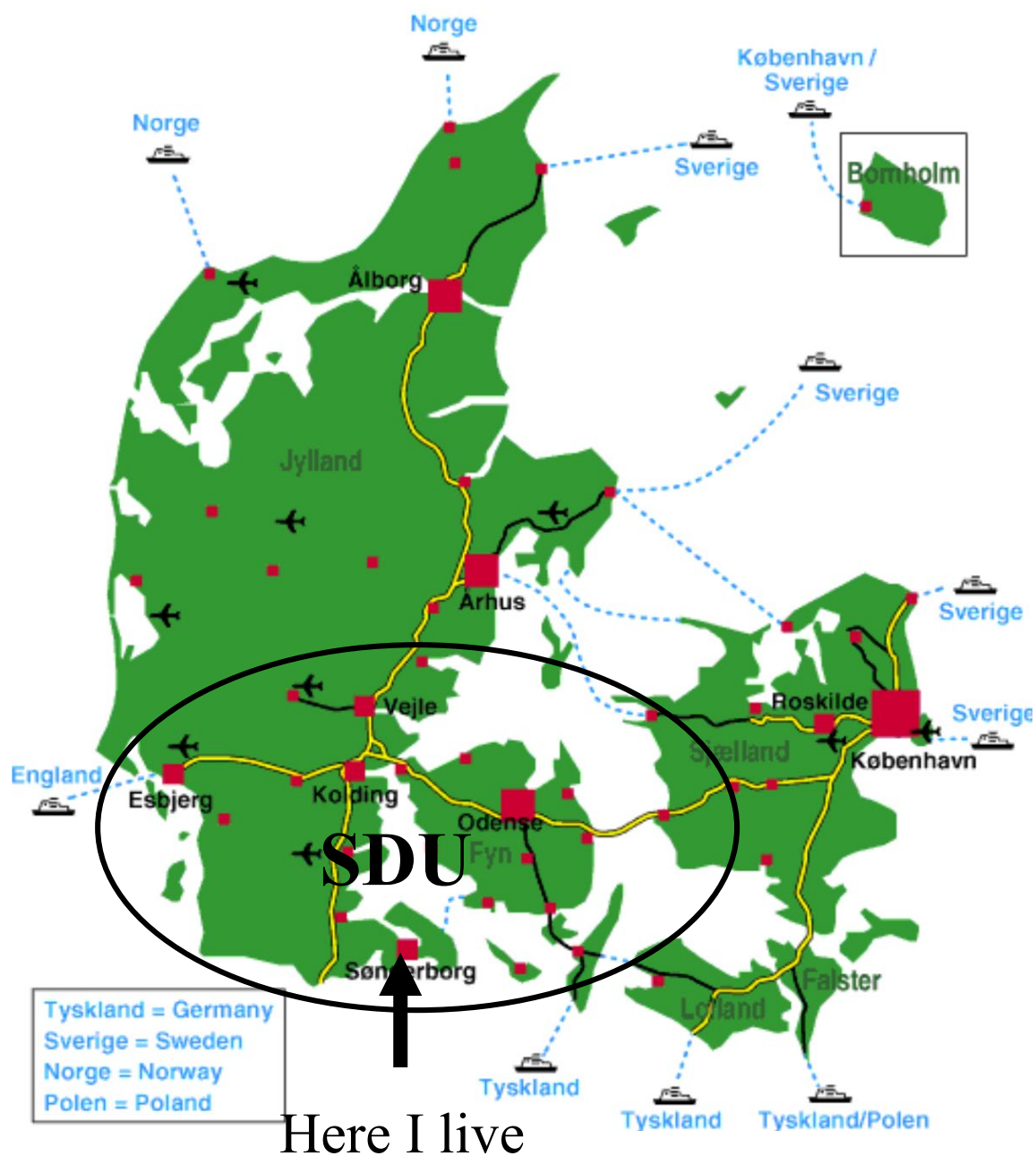
- Questions at the end
- Use Q&A to type your question
- Or 'raise hand' button to ask your question via audio
- Upvote a question if you also have the same question
- Recording will be shared
- Slides will be shared



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- Ph.D. (Dr.) and Associate Professor of International Marketing at University of Southern Denmark (Sønderborg).
- Practical experience in Marketing from his work at multinational companies.
- Multiple publications to his name including Internationally recognized Journals and Pearson Marketing books.
- Research Interests: Relationship Marketing, Globalization and Internationalization of companies.



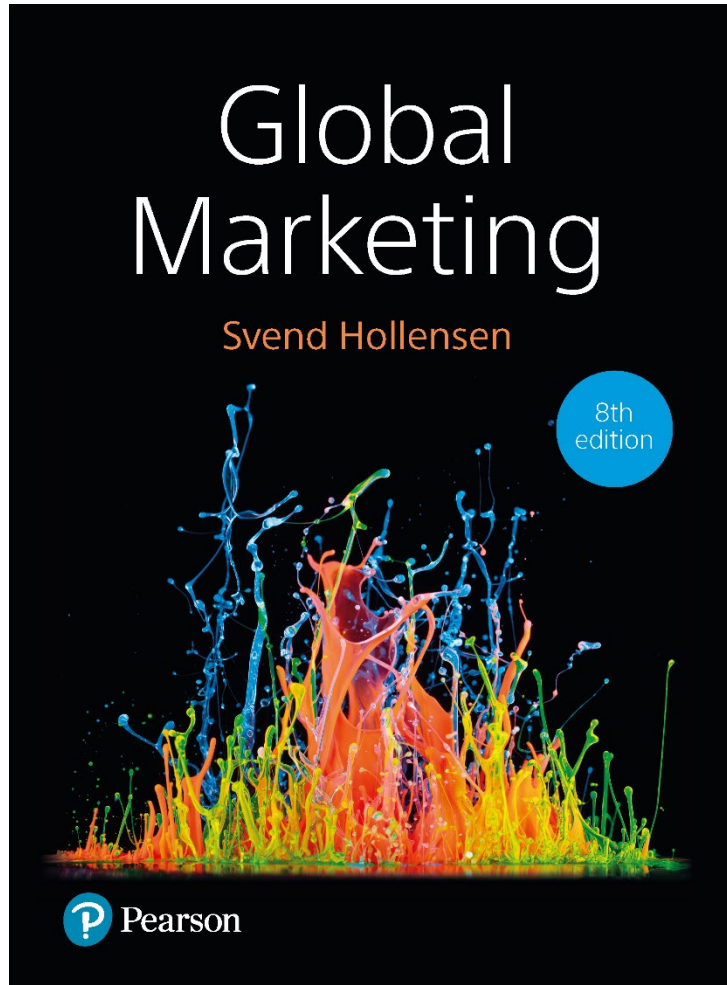


University of Southern Denmark Sønderborg



Global Marketing

Eighth Edition



Glocalization Strategy

Part I

Chapter 1

Global Marketing in the
firm, pp. 15-19

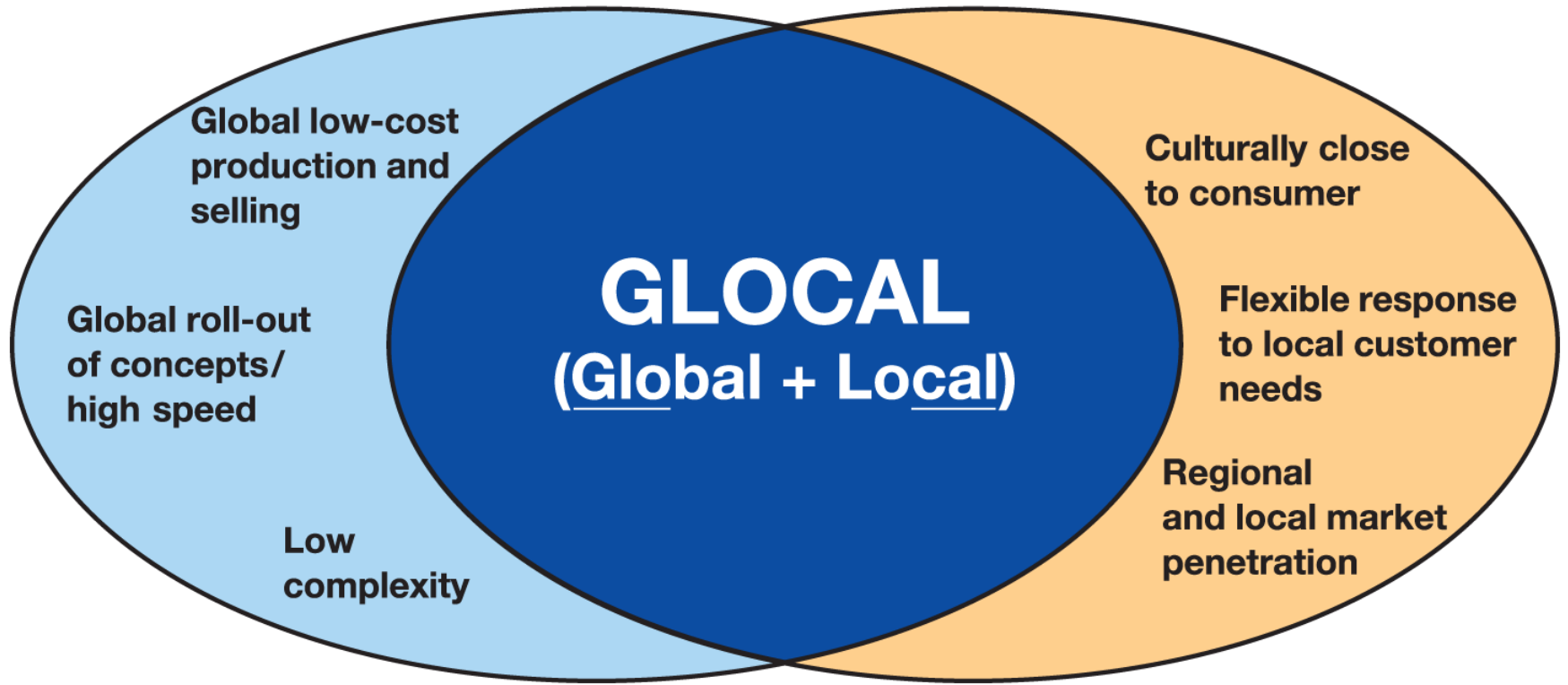
Figure 1.1: The five-stage decision model in global marketing



Global marketing strategies

**Globalization
(Standardization)**

**Localization
(Differentiation)**



The glocalization framework

Examples:

Globalization
(Standardization)

Localization
(Differentiation)

100%

100%



Case Electrolux:

Glocalization used on Electrolux

Globalization at Electrolux

- a research project

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WILEY

VIEW FROM PRACTICE

Is “glocalization” still the golden way for Electrolux? Is there more to be done?

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Electrolux is the company in the worldwide household appliances industry with the widest geographic reach. But Electrolux manages to cope with regionalization in a clear and effective way, based on its dedication to deep local consumer insight. Electrolux is balancing between globalization and localization in the different key functions, searching to take the best from the two. We conclude that Electrolux has chosen a true glocalization strategy. But there still remain some tough future challenges for Electrolux in terms of coping with slow and blurred internal reporting lines.

1 | INTRODUCTION

The main aim of this article is to explain and discuss the main drivers of the “glocalization” strategy for one of the world’s leading producers of appliances for households: Electrolux¹ (further description of the company can be found later in the article). Though the starting point for this article’s glocalization theme is the traditional marketing mix standardization/adaptation discussion, one of the main contributions of this research is the more extended view of the multinational corporation (MNC) by integrating the whole value chain, and not only the marketing activities.

Within the field of international business and international marketing, the debate over the extent of standardization (centralization) or localization (decentralization) has occupied a significant part of past research.

Developed by the sociologist Robertson (1992, 1994), glocalization is a theoretical concept that combines the two words globalization and localization. Glocalization refers to the interface between a global and a local marketing strategy by combining dynamics of cultural homogenization and heterogenization. Whereas globalization, in and of itself, stresses the omnipresence of corporate or cultural processes worldwide, glocalization stresses particularism of a global idea, product, or service. Glocalization is not merely another take on niche marketing, now global. Rather, glocalization also adds accuracy to the present globalization approach among scholars and practitioners.

Despite this debate, geography matters in international business because location is specifically linked to understanding behavior of

people in specific regions due to different climate, culture, law, politics, and trade (Berill, 2015).

Berill (2015) classifies a company as global if it has sales subsidiaries in all of the six regions: Europe, Africa, North America, South America, and Oceania. In this regard, Electrolux can be classified as a truly global company. But a formal definition is not enough for being a truly global or glocal company. The development of a global mind-set is necessary, this global mind-set results from being open to diverse cultural perspectives and being aware of strategic options after considering the nuances at both the global and local level (Chandwani, Agrawal, & Kedia, 2016).

Globalization strengthens the consciousness of the world that pervades both the local and the global. This opposes the argument that globalization is a fully homogeneous process. On the contrary, while globalization gears toward some degree of cultural homogenization, glocalization simultaneously permits people to identify more strongly with their local culture. Glocalization emphasizes that relocating a theme, product, or service elsewhere has a higher chance of success when it is accommodated to the local culture in which it is introduced.

This glocalization strategy strives to achieve the slogan, “Think globally but act locally,” through dynamic interdependence between headquarters and subsidiaries. Organizations following such a strategy coordinate their efforts, ensuring local flexibility while exploiting the benefits of global integration and efficiencies, as well as ensuring worldwide diffusion of innovation.

Principally, the value chain function should be carried out where there is the highest competence (and the most cost-effectiveness), and this is not necessarily at the headquarters.

The two extremes in global marketing, globalization and localization, can be combined into the glocalization framework, as shown in

¹The case study is the sole responsibility of the two authors and does not necessarily represent the current strategy of Electrolux.



A history of innovations and strong brands



1901

AB Lux

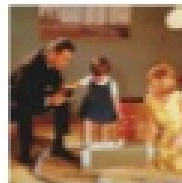
1919

AB Electrolux



1957

Elektrolux to Electrolux



1984

Zanussi

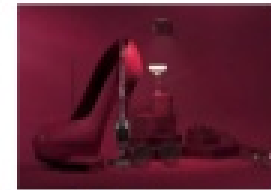
1986

White
Consolidated
(Frigidaire)



1994

AEG



Thinking of you...
Electrolux

1997

Refrin (Brazil)

2004

2nd gen
Trilobite
Launch of
Ergonapido

2008

US Launch of Electrolux



GRAND CUISINE
BY JUSTINUS HORNIGALL

2012

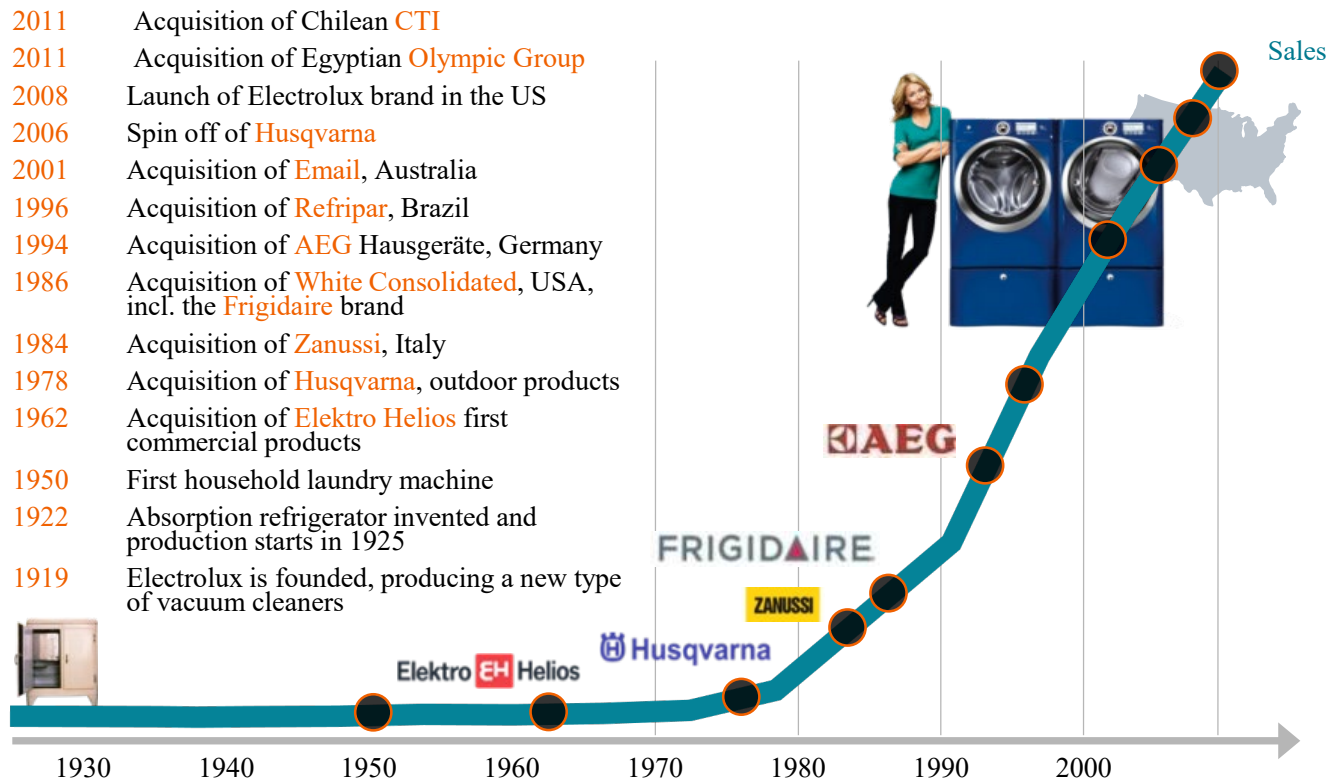
Electrolux
Inspiration
Range

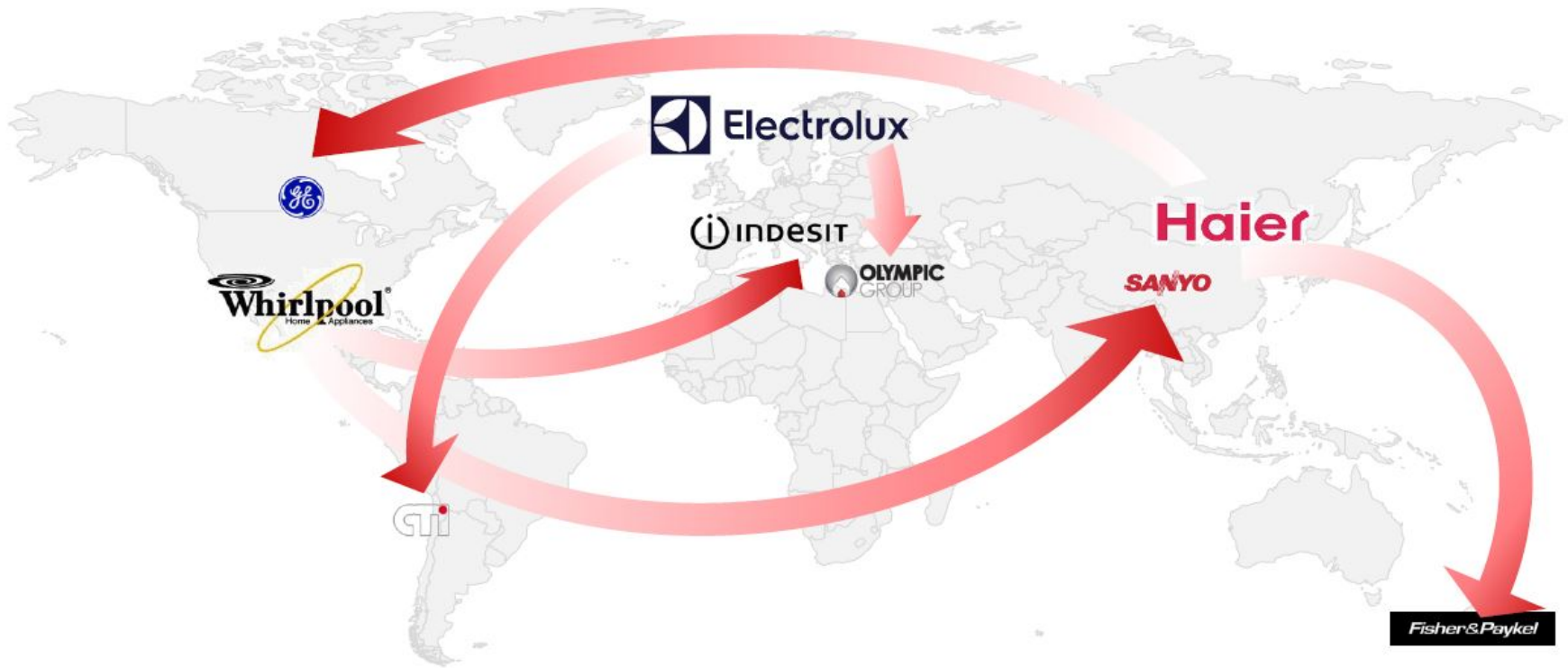
Electrolux
Grand
Cuisine

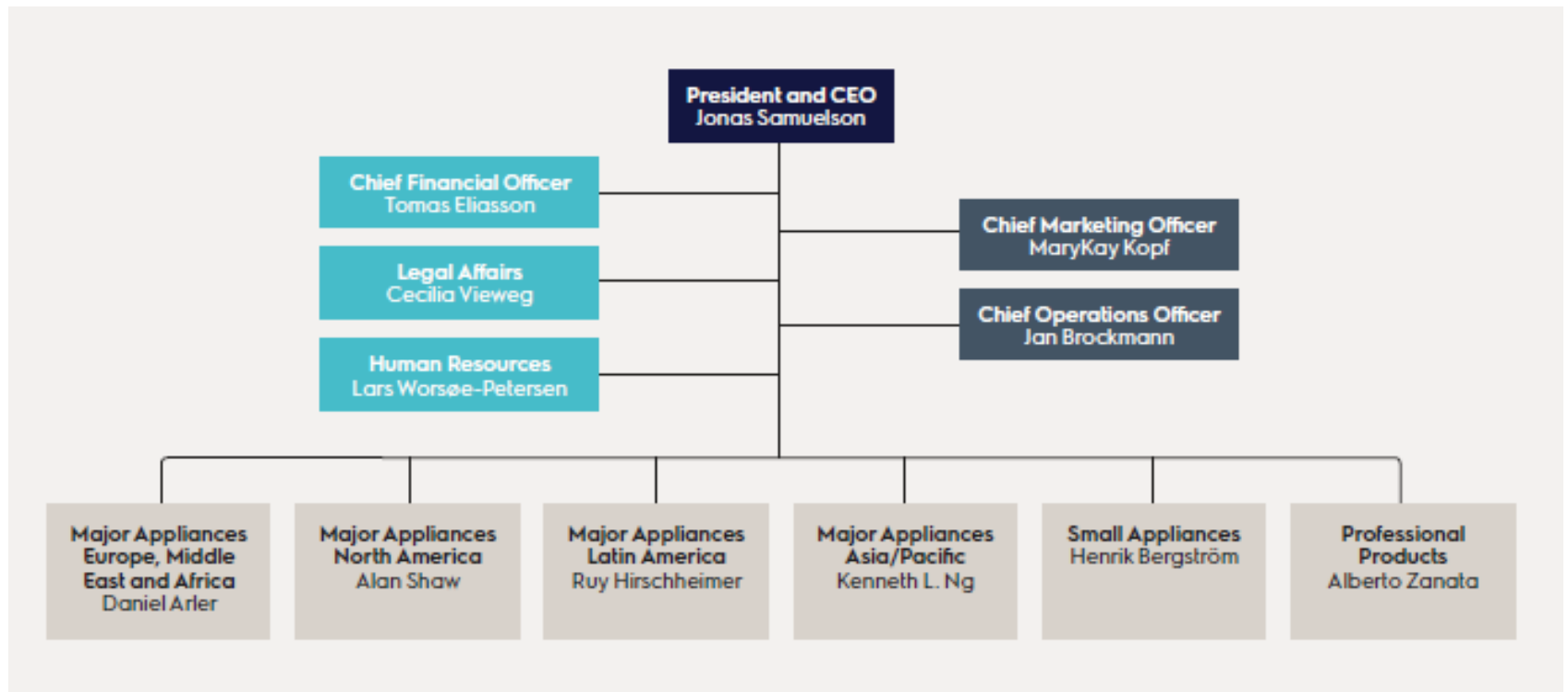
2014

China C5
Launch
Ultralex
Temaline
5000

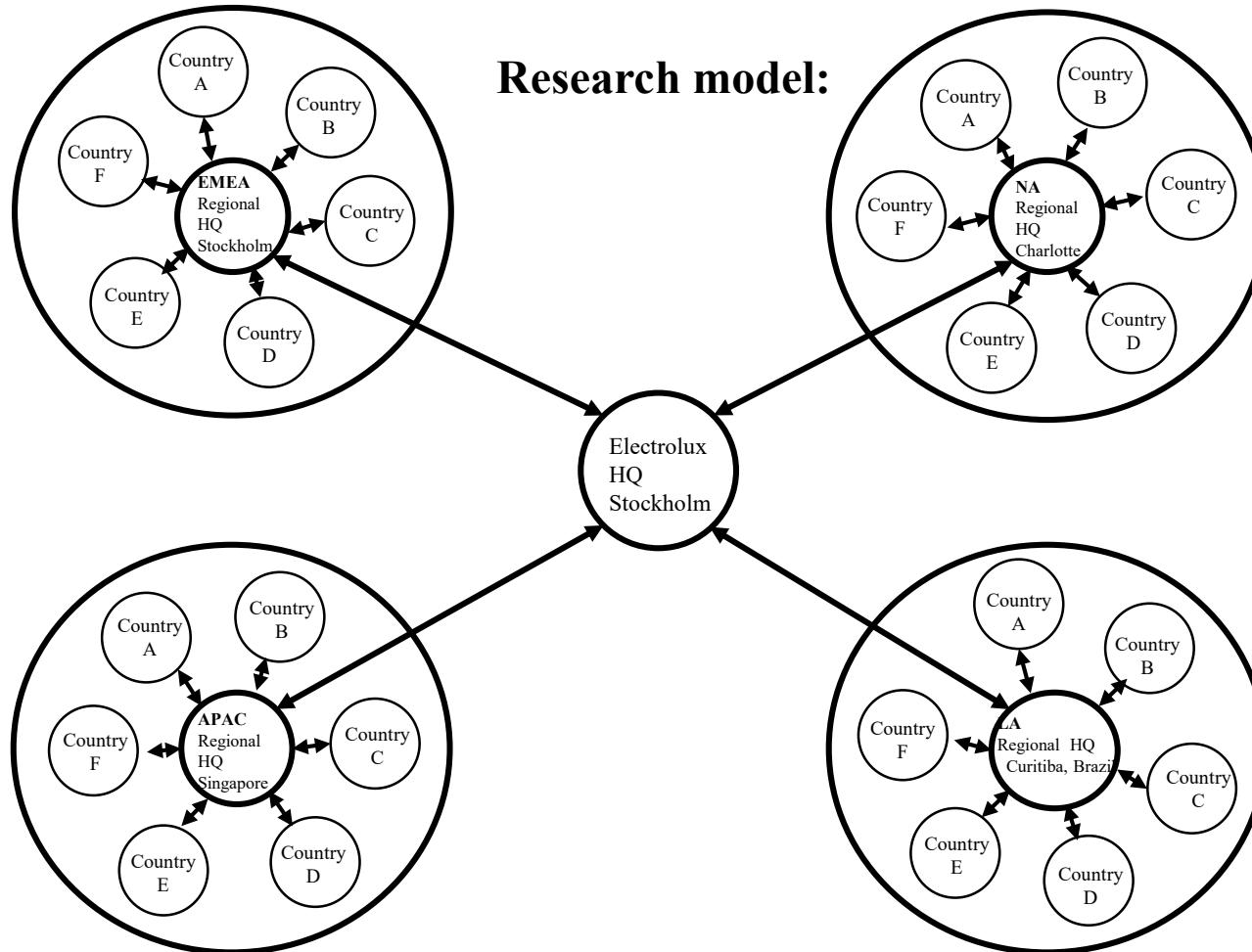
Electrolux history of innovation and growth





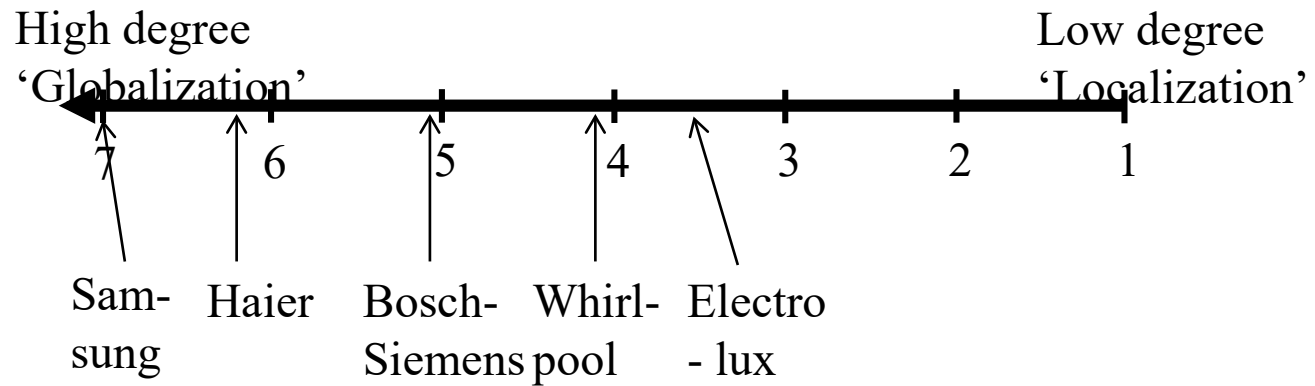


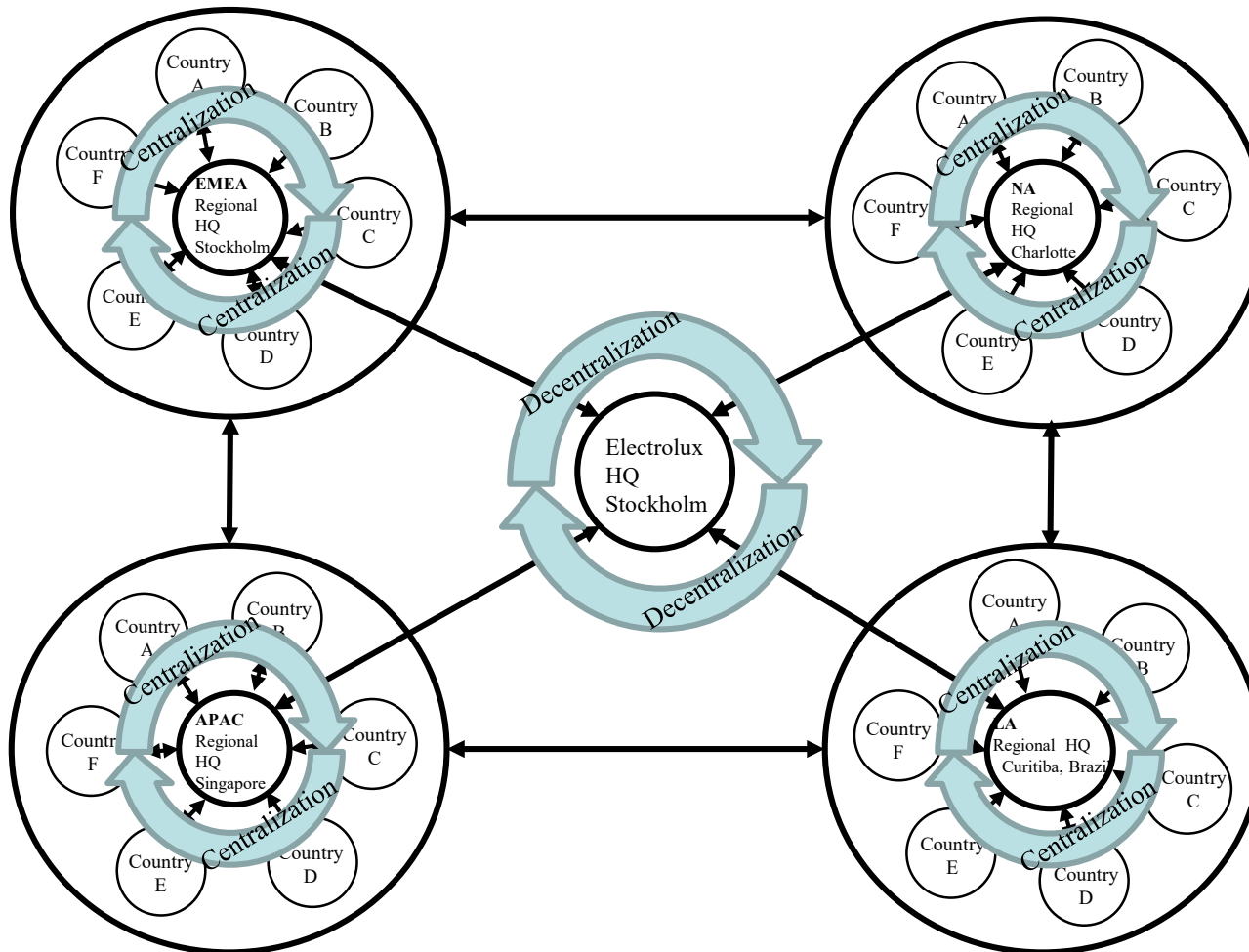
Research model:



Results from empirical research (interviews with the ten Electrolux managers)

Degree of Standardization (Globalization)





Results point in the direction that Electrolux follows a true ‘Glocalization’ strategy.

- Electrolux has managed to cope with ‘regionalization’ in a clear and effective way.
- The company has been able to find the right balance between globalization and localization.
- Electrolux has strong corporate values and has been able to communicate these to all employees, so they are getting all onboard.

On the other hand there still remain some tough future **challenges** for Electrolux:

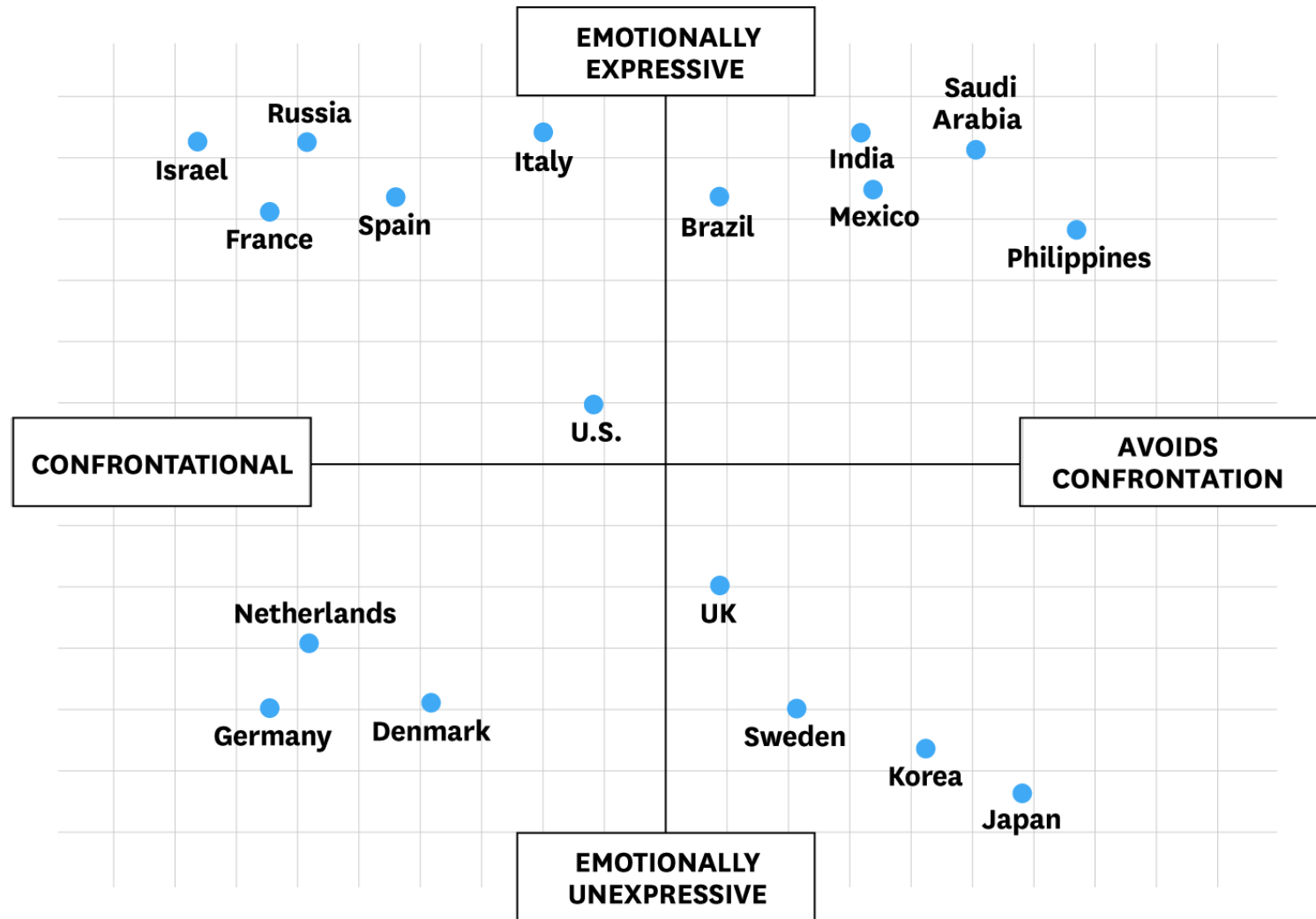
- The report lines through the organization are often blurred and too slow – because of the Swedish consensus culture which means that everybody have to agree
- ‘Local kingdoms’ (regional companies / brands acquired over time by Electrolux) are sometimes getting too much power, which also adds to the blurred report lines in the organization
- The local adaptation strategy may undermine traditional cost efficiencies and traditional HQ power. Electrolux uses modularization in order to compensate for this possible threat.

*We have a strong corporate culture with a strong individual commitment and team spirit among employees. We share a deep respect for decentralized decision-making where employees take own responsibilities. But we also are inspired by the **Swedish consensus culture**, which sometimes result in blurred report lines and a slower speed of decision-making, because too many have to be involved and asked. We could have used a more German, American or South Korean leadership philosophy, but the consensus philosophy is part of our deep-rooted culture and has the advantage that we get all on-board and we all work in the same direction. In fact, we can work with high speed, as soon as we have analyzed the situation and agreed on a certain direction.*

Head of Human Resources and Organizational Development at
Electrolux

Preparing to Face Your Counterpart

The map below sorts nationalities according to how confrontational and emotionally expressive they are. Although negotiators often believe that the two characteristics go hand in hand, that's not always the case.



SOURCE ERIN MEYER
FROM "GETTING TO SI, JA, OUI, HAI, AND DA," DECEMBER 2015

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Case Henkel:

Glocalization used on Persil

Papers

Developing a glocalisation strategy: experiences from Henkel's product launches in the Middle East and Europe

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Abstract

The glocalisation strategy strives to achieve the slogan, 'think globally but act locally', through dynamic interdependence between headquarters and subsidiaries and/or local intermediaries around the world. Companies following such a strategy coordinate their efforts, ensuring local flexibility while exploiting the benefits of global integration. The challenge is to balance local knowledge with global reach. In the case of Persil Abaya Shampoo (for the Middle East market) and Persil Black Gel (for the European market), Henkel chose a strategy that successfully benefited from the 'economies of scope' in the purchasing department as well as in production and packaging. But by using an adapted product communication, plus individualised packaging designs, product positioning and marketing communications for the two regions, Henkel honoured the cultural heterogeneity of its target markets and used Persil Abayas' particular significance in the Arab world to its advantage. The results document that it has been possible for Henkel's Persil to gain competitive advantages in terms of higher market shares, with the 'glocalisation strategy' in the (Middle East) liquid detergent market.

Keywords

glocalisation, global marketing, internationalisation, standardisation, adaptation

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INTRODUCTION

With the implementation of new products, many chief marketing officers must decide whether to pursue a global or a local marketing strategy. While global strategies use so-called 'economies of scope'

and therefore go easy on the marketing budget, local marketing strategies promise a greater success due to a better matching of the product to customer needs. A so-called 'glocal' marketing plan combines the advantages of both ways and therefore

Case:

**Internationalization of
German Henkel (Persil) to
the Muslim countries**

= ”Glocalization” strategy

Ashraf El Afifi
Regional President and Corporate
Senior Vice President for Laundry
& Home Care in the Africa/Middle
East region:

*“Persil Black or Persil Abaya is a
perfect example of what our mix of
global technology and local
market expertise can achieve”*

Henkel Annual Report 2011

Henkel:



2011: Persil Black (for Europe)



2007: Persil Abaya (for women in Arabic World)

Persil Black *Black Abaya*

The Challenge

Our task was to build on the success of 'Arwa3 Abaya' (amateur design initiative) and continue connecting Arab women with the brand through their enthusiasm for Abaya fashion.

The Solution

This time around, we doubled airtime, added more interaction through audience voting, extended the content beyond TV, utilized social media and set up a CSR initiative by auctioning off popular Abaya designs on Souq.com.

The Results

Associations of Persil being recognized as 'an expert in Abaya care' increased by 12% to 37%. Market share grew so much that from being 2nd in the liquid detergents category in 2009, we are now in 1st place!



<http://www.adforum.com/creative-work/ad/player/34482549>

Rabia Z – Celebrity Endorsement



<https://www.youtube.com/watch?v=NsFAMvJ9ELs>

Das neue Persil Black-Gel:

Beste Persil-Reinheit für dunkle Wäsche



The advertisement features a large, dark purple bottle of Persil Black-Gel detergent. The bottle has a white cap and a red label with the word 'Neu' (New) in white. The main label on the bottle reads 'Persil BLACK-GEL' and 'Langzeit-Schwarz-Formel'. Below the bottle, there is a small graphic of a dark jacket and a pair of jeans. To the left of the bottle, there is a bright, glowing effect with several small bubbles. The background is a deep purple with a wavy, liquid-like texture. At the bottom of the advertisement, there is a green and white border.

Reinheit kommt – Schwarz bleibt!

- Beste Persil-Reinheit für dunkle und schwarze Textilien
- Auffällige Packungsgestaltung für hohe Aufmerksamkeit am POS
- Massive Werbeunterstützung zum Launch

Persil
BLACK-GEL
Langzeit-Schwarz-Formel
Rezept für dunkle und schwarze Textilien
35
20"140"160"

Qualität & Verantwortung **Henkel** www.persil.at

Persil
Da weiß man, was man hat.

<https://www.youtube.com/watch?v=pyoWtI3QvK4>



Persil
Abaya Shampoo



Win

one of many Fabulous Abayas
made with SWAROVSKI ELEMENTS



Scan the QR code with your mobile to
collect points and view an amazing
collection of Abayas made with
SWAROVSKI ELEMENTS

— — — — —

Glocal strategy:

Product:

The chemical formulations in Africa/Middle East and Europe have some common attributes, while the fragrances are tailored to cultural preferences. Package appearance and consumer communications are also regionally aligned.

Glocal strategy:

Communication:

Persil Abaya was launched in the Gulf States through a mix of TV commercials & social media and a very successful viral online marketing campaign. An interactive social media website was set up and there was also a reality TV designer competition, the abaya having transcended from traditional garment to individual fashion statement.

<http://www.adforum.com/award-organization/6651680/showcase/2015/ad/34512917>

In the Western European markets, the consumer campaign relied mainly on classic TV advertising, complemented by social media activities such as Facebook.

2011/12: New customer segment is added in Middle East: The first-ever liquid detergent, especially for Men's White Thobes is introduced across the Middle East





https://www.youtube.com/watch?v=I8AkWQaQ_yc

Results:

In 2008 **25%** of women in the Gulf region recognized Persil 'as an expert in Abaya care'. This figure increased to **37%** in 2010.

The sales volume of Persil Abaya increased 24% in 2009 and further 33% in 2010. The Persil market share of liquid detergent in the Gulf region increased from 25% in 2008 to **40%** in 2010.

This provided Persil with the first place in the liquid detergent market in 2010.

The launch of Persil for White Thobes added a further two percent points market shares of the liquid detergent market in the Gulf region (Euromonitor, 2012).

Results:

In the Gulf region **Procter & Gamble** (with Tide and Ariel brands) is still the region's clear market leader in the overall detergent market, with 35-40% market share, followed by **Unilever** (OMO) with app. 15-20% market share. **Henkel** is no. 3 with app. 10% market share of the overall detergent market.

Results:

In **Europe** the launch of Persil Black resulted in increasing sales of the black liquid detergent (increased ‘scale of economies’), but in terms of market shares it only resulted in a small increase of the European liquid detergent market (less than one percent), but it created some media ‘buzz’ that Persil had actually used the same product as in Middle East.

Comparison and implications of analysis

General data:	Henkel (Persil)	Electrolux
Headquarters (HQ)	Düsseldorf (Germany)	Stockholm (Sweden)
Product focus	Washing, cleaning, cosmetics	Appliances for households
Number of markets (countries) (2018)	180	150
Sales (2018)	EUR 20 billion	EUR 12 billion
Operating profits (2018)	EUR 3.5 billion	EUR 0.5 billion
Number of employees (2018)	53,000	54,500
Specific about the 'Glocalization' case:		
Glocalization focus (internal / external)	External (Persil Abaya in Middle East vs. Persil Black in Europe, with a focus on the consumer perspective)	Internal (Globalization/Centralization vs Localization/Decentralization of internal decision making)
Company market focus (Outside-in vs. Inside-out perspective)	Outside-in (Adapting to the regional consumer preferences of keeping the black color in the women's Abaya, and the white color in the men's 'White thobes' version)	Inside-out (Relative high degree of decentralization from HQ to regional HQs, but relative high degree of centralization from Regional HQs to specific countries.
Key benefits for the company by following 'Globalization'	By using an adapted marketing strategy in Middle East, compared to Europe, Henkel honoured the cultural heterogeneity of its target market and used Abayas' particular significance in the Arab world to its advantage. It has been possible for Henkel's Persil to gain competitive advantages in terms of higher market shares, with the 'glocalization strategy' in the liquid detergent market. This result is also supported by Chung et al. (2012)	Electrolux has chosen a true 'Glocalization' strategy. Electrolux has managed to cope with 'regionalization' in a clear and effective way. Electrolux is balancing between globalization and localization in the different key functions searching to take the best from the two. Among other factors, the Swedish 'Consensus culture' (Meyer, 2015) has made it possible for Electrolux to communicate their corporate vision to to all employees so they are getting a common understanding and "all on board" around the globe.
Key challenges for the company by following 'Globalization'	It was not possible to follow up the huge success (Persil Abaya in Middle East) with the introduction of the Persil Black version in Europe	The reporting lines through the organization are often blurred and too slow – because of the Swedish 'Consensus culture' which means that everybody must agree/be involved. More speed in worldwide execution is necessary in today's global competition. Also, local adaptation strategy may undermine traditional cost efficiencies and traditional HQ governance.

Successful global marketing is increasingly dependent on the managers' ability to:

- develop a global marketing strategy, based on similarities and differences between markets;
- turn the heterogeneity of the target markets into a competitive advantage;
- exploit the knowledge of the headquarters (home organization) through worldwide diffusion (learning) and adaptations;
- transfer knowledge and 'best practices' from any of its markets and use them in other international markets.

In these Covid-19 times:

We are stuck as persons

But data is flowing across borders more than ever

In Glocalization this means exchange of reliable data between HQ and local markets / regions is becoming more important

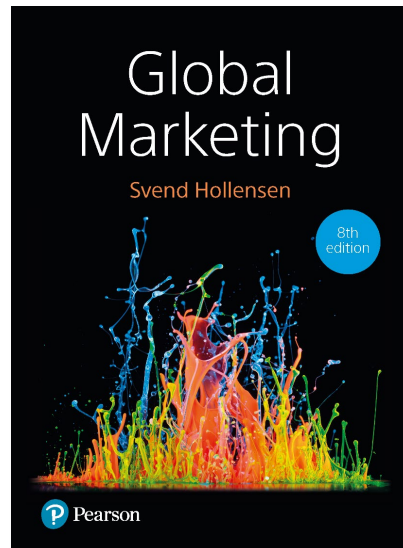
The two cases are further explained and compared in this book, which came out in September, 2020



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Thank you !

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