



# Doing business in Libya: Assessing the nature and effectiveness of international marketing programs in an evolving economy



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## ABSTRACT

The aim of this paper is to investigate, in one emerging Arab economy (Libya), the strategic and tactical choices of MNE (multinational enterprise) domestic appliance brands and, also, the attitudes of local consumers toward those choices. Various choice characteristics are investigated – including marketing mix standardization/adaptation – and, also, country-of-origin brand (COB). To establish extant organizational choices, local representatives of four established brands were interviewed and survey responses from 609 consumers were analyzed. No statistically discernible relationship between standardization/adaptation choices and consumer attitude toward marketing programs was found, but the study identified one especially successful brand that appeared to owe its achievements to an especially holistic approach to marketing that demonstrated ‘fit’ with the market concerned. Coincidentally, findings also address the conventional country-of-origin wisdom, and this is investigated/speculated upon accordingly. This is one of few marketing studies concerning Libya, and it adds to the limited literature on an increasingly relevant region.

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## 1. Introduction

Marketing insight regarding the Arab world has only recently accrued (earliest studies include Djursaa & Kragh, 1998; Elbasher & Nicholls, 1993; Michell, Lynch, & Alabdali, 1998; Souiden, 2000) and most has inevitably focused on countries that are more clearly aligned with the West, such as Kuwait (e.g., Al-Wugayan, Pleshko, & Baqer, 2008), Jordan (e.g., Zabadi, Shura, & Elsayed, 2012) and the United Arab Emirates (e.g., Khraim, Khraim, Salim, Al-Kaidah, & Al-Qurashi, 2011). Further, although studies addressing consumer issues in Arab contexts have recently increased (e.g. Al Ganideh, 2012; Ghanem, Kalliny, & Elgoul, 2013; Tolba, 2011) literature in this area, generally, is limited (see Birnik & Bowman, 2007; Ellis & Zhan, 2011), and this is especially surprising given that the Arab market is becoming increasingly materialistic and that the collective Arab economy is now estimated to be the world's eighth largest, with a GDP approaching \$2.5 trillion (Mahajan, 2013). Our understanding, especially, of how international firms

approach such markets and how local consumers respond to these approaches is sparse, especially in those countries perceived to represent a more capricious business environment (e.g. Syria, Algeria and Libya: Dinnie, 2011).

This study is applied in a setting that, for reasons of recent social and political turbulence, represents a particularly interesting context for research. In the decade leading up to recent conflicts, and following a period of relative isolation, Libya actively encouraged international trade (Porter, 2007), yet there is a relative lack of research addressing either period (US & FCS, 2006), and this alone makes Libya an intriguing context for investigation. Recent events, clearly, mean that the commercial world will be watching developments in the region with interest (Dinnie, 2011), and the focus of this paper is timely, given that it provides insight into an area that can only attract further attention (KPMG, 2013).

## 2. Aims of the study

It has been suggested that the key to success in international markets is, above all, ‘being global but acting local’ (Cateora & Graham, 2005; Kefalas, 1998; Svensson, 2002). The pursuit of competitive advantage has always focused on developing marketing programs that recognize different customers’ needs and

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expectations (Kotler, 2003) and a compromise, therefore, that effectively weighs both standardization and adaptation may well be the best option. Finding the right balance by which to operationalize this most complex of challenges (Harris & Attour, 2003; Schmid & Kotulla, 2011; Theodosiou & Leonidou, 2003), however, is never easy, and standardization will be more easily realized in some contexts than in others (Viswanathan & Dickson, 2007). It is not surprising, therefore, that much recent research has focused on identifying the key criteria influencing adaptation/standardization decisions (e.g. Brei, Avila, Camargo, & Engels, 2011; Chung & Tsai, 2009; Helm & Gritsch, 2014).

Understanding how suppliers interpret and manifest the need for adaptation and, further, how consumers react, have become vital issues – not least because suppliers are now moving into emerging markets where potential for growth is substantial (Wooldridge, 2010), but where, coincidentally, potential for dissension/misconstrual is equally large (e.g. Arab/Muslim markets: Busnaina, Youssef, & Woodall, 2010; Mahajan, 2013; Marinov, 2007). Successful marketing is focused, primarily, on consumer preference and the degree to which product characteristics are valued (Kotler, 2003), but not everything, though, can be easily changed. Balabanis and Diamantopoulos (2004) suggest consumer preference embodies a wide spectrum including brand name, supplier image, country-of-origin (COO), price, availability and ethno-nationality; and that brand and national identity are often conflated in the consumers' mind (see also, Knight, 1999). The way that brands, and their offerings, are perceived, therefore, is a combination of both the (relatively) mutable and the (relatively) fixed, with marketing programs and COO at opposite ends of the adaptation spectrum, and understanding how these work in concert can perhaps provide for a more comprehensive insight into consumer attitudes than by considering each, alone.

This paper looks to extend understanding of international marketing in the Arab region by pursuing a range of questions concerning one specific consumer goods category (large home appliances), in one specific Arab market (Libya). Our research questions are:

1. To what degree do foreign companies adapt/standardize marketing programs for Libya?
2. What are the factors that have influenced corporate decisions concerning standardization/adaptation for Libya?
3. How, and to what extent, might Libyan consumer attitudes toward overseas brands be impacted by marketing program standardization/adaptation decisions?
4. What are the effects of key product identity characteristics (brand name and COO) on Libyan buying attitudes and decisions?

As the paper develops, key issues relating to the above are surfaced and subsequently expressed as testable propositions. These propositions, drawn from the wider internationalization literature, are then subjected to quantitative and/or qualitative examination within a Libyan market and conclusions are drawn accordingly. Findings are derived both from interviews with local agency managers (issues related to questions 1 and 2), and from a major consumer survey ranged over Libya's three major urban conurbations – Tripoli, Benghazi and Sabha (issues related to questions 3 and 4).

### 3. Conceptual review and propositions

Essentially, the aim of this study is to explore how MNE marketing programs are both determined and perceived and, as

a focus for analysis, the 'standard' 4P marketing mix is employed. Although some have applied the wider, 7P/services, mix (e.g. Vrontis, Thrassou, & Lamprianou, 2009) the 4Ps framework is the most ubiquitous in consumer research and has long been the subject of study internationally (e.g. Chan & Cui, 2004; Cheon, Cho, & Sutherland, 2007; Gaski & Etzel, 1986; Herche, 1994; Tan & Sousa, 2013). Organizational marketing mix adaptation tactics have been studied at the individual (e.g. brand – Sandler & Shani, 1992; distribution – Rosenbloom, Larsen, & Mehta, 1997; Shoham & Brencic, 2003; pricing – Theodosiou & Katsikeas, 2001; Zou & Cavusgil, 1996; product – Lages, Silva, & Styles, 2009; Shaw & Richter, 1999; promotion – e.g. Karande, Almurshidee, & Al-Olayan, 2006; Solberg, 2002), dual (e.g. product and promotion – Chung, 2009; product and distribution – Calantone, Cavusgil, Schmidt, & Shin, 2004 and aggregate (e.g. Kustin, 2010; Powers & Loyka, 2007; Zou & Cavusgil, 2002) level, though studies have focused almost exclusively on internal perspectives – either exploring management preferences and/or evaluating impact on organizational (mostly financial) performance. Contributions seeking to understand relationships between global brand adaptation/standardization choice and buyers' attitude toward these are, though, less common.

#### 3.1. Adaptation versus standardization: key issues

The standardization versus adaptation debate has run now for many years, and continues still (e.g. Brei et al., 2011; Schmid & Kotulla, 2012; Virvilaite, Seinauskiene, & Sestokiene, 2011). Some commentators (e.g. Usunier, 2000; Viswanathan & Dickson, 2007) suggest that the nature of recent macro-environmental changes has given rise to progressive buyer behavior homogenization and, further, that failure to recognize and take advantage of an emerging global culture could leave businesses at a disadvantage (Levitt, 1983; Kotler, 1986; Ozsomer & Simonin, 2004). Others suggest that local circumstances demand adaptation (e.g. Askegaard & Madsen, 1998; Ghemawat & Thomas, 2008; Souiden, 2002) and that some degree of change may be unavoidable (Cateora & Graham, 2005; De Mooij & Hofstede, 2002), whilst Kustin (2004) has suggested that standardization and adaptation are both viable, even essential, options for building a global presence across diverse national contexts. And, of course, there is the question of feasibility – even though standardization, for example, may be a preferred option, practicalities may demand otherwise (Siraliouva & Angelis, 2006).

These questions apply too, where ethno-religious, rather than national, factors constitute the nature of market character. For example, although Arab countries are geographically distinct, suppliers have tended to adopt a broadly Middle Eastern perspective (Fastoso & Whitelock, 2010) hoping, as a consequence, to benefit from the effect of shared ethnic characteristics (norms/values derived from Islam; tribal customs; Islamic and Ottoman history; the Arabic language: Metz, 1987) and pan-Arab promotional media opportunities (Melewar, Turnbull, & Balabanis, 2000). Vrontis et al. (2009) suggest that both internal and external factors will affect such decisions, and that the dilemma has become increasingly convoluted, with the range of factors impacting standardization/adaptation decisions now more complex than ever. This leads to the following propositions:

**Proposition P1a.** The nature of marketing program adaptation undertaken by an NME operating in an overseas market varies according to the characteristics inherent within the market concerned.

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