

STUDY ON DISTRIBUTION STRATEGY OF MULTINATIONAL CORPORATIONS LOCALIZATION MANAGEMENT

WANG Baoli¹ JIANG Si'en²

Abstract: Localization management has become a wise choice for the multinational corporations to win in the host country market. Since long ago, many multinational corporations had neglected the importance of distribution in the localization that caused the localization strategy defeat. Base on analyses the connotation of localization management, the paper summarizes some problems exit in distribution in the multinational corporations localization management such as insufficiency analysis of the host country market, the cultural conflict existence, the channel structure is unaccustomed to the climate and so on, then some corresponding solution countermeasures are proposed.

Key words: Distribution, Localization Management, Multinational Corporations

1. INTRODUCTION

Along with economical globalization speeding up, more and more companies start to advance into the multinational corporation's rank all over the world. They have already become the important impelling force to promotion the world economic development, and speed up the technical dissemination. According to the statistics by the international trade Association, up to 2005 there are 77,000 parent company and surpasses 770, 000 oversea subsidiary companies approximately all over the world, these oversea subsidiary companies create about 450 billion Yuan, and employ 62 million workers approximately, the export value of the cargo and the service surpasses 4000 billion Yuan.

When these multinational corporations operate in the host country, in order to meet the host country customer's need, and compete with similar production companies from the host country and other multinational corporations, they use the "localization" management strategy inevitably. It is the wise choice for the multinational corporations to formulation and implementation localization strategy, and it is also the chip for the multinational corporations subdue in the host country market simultaneously.

In past twenty years, the study on localization are extremely thorough, especially localization marketing, but paid a little attention to the distribution and price. That restricted the step of the multinational corporations' localization management seriously.

¹ School of business administration, Xi'an University of Technology, Xi'an, ShaanXi, China.
Email: Baoli1989@sina.com.cn

² School of business administration, Xi'an University of Technology, Xi'an, ShaanXi, China.

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2. LOCALIZATION MANAGEMENT CONNOTATION

The economical globalization promoted multinational corporations' starting and development. In the new competition environment, the multinational corporations are facing the new opportunity and challenge, a new outlet is seeking by the multinational corporations anxiously. Implement the localization management strategy is the only way to strengthen competitive ability, and win in the host country market under the tendency of global economy integration.

Localization management was widespread augmented after it was proposed, but now its definition is also very fuzzily. Because the influences of the traditional culture the western developed countries just stay in the case classification, explain and so on. While the majority researchers of Chinese thought localization management refers to the multinational corporations to their parent company which establish outside, carry on a series of management which penetrate in the host country social economy. It means the company achieves localization from the personnel as well as the design, the purchase, the production, the processing, the marketing, the post-sale service and so on; also contain the thought idea, and management. Therefore, localization management is a new kind of transnational management strategy and pattern of multinational corporations to adopt economy globalization.

Localization management can be described by four characters——do in Rome as Rome does. In other words, melted into national condition and the characteristic of the host country with all aspects just as raw material purchase, product characteristic, personnel's disposition, management, marketing and so on.

3. THE IMPORTANCE OF DISTRIBUTION TO LOCALIZATION MANAGEMENT

Many multinational corporations can achieve their localization management strategy in the host country, mainly because they had attached importance to the marketing localization. The marketing localization, can meets the host country market customers ' need well, gains customers' support, fast adapts the market shift, and wins in the competition.

As an important aspect of multinational corporation localization, marketing always walks in front of other aspects, and carried as the core task. Because it has some merits just as difficult vicariousness, difficult imitation and so on, distribution channel has become the core part of localization marketing already. When the multinational corporations operate localization management, construct an ideal marketing network is even more difficult than constitute a modernized factory, because the latter can be accomplished just by enough fund, but the former is not so certainly simple, if cannot obtain the local support, and separate from the local reality, the channel will accomplish nothing. Just as HP Company can not but withdrawer the china family electric equipment market, because it had not established a distribution that can adapt the market.

At the same time, majority of the customers like purchasing the localization product in the host country, and the localization product can obtain customers' welcome. Therefore distribution localization plays the very important role in the localization management strategy of the company. It should be taken as the most important work during the multinational corporations manages in the hostel country.

4. PROBLEMS EXIT IN THE DISTRIBUTION OF LOCALIZATION MANAGEMENT

Although distribution is extremely important in localization management of multinational corporations, but in the actual operation, many multinational corporations do not realize this point completely, there are always several of problems in the distribution, that induce the localization management strategy can not be implemented effectively, even defeat the localization management.

4.1 Insufficiency analysis of the host country market

Choosing an appropriate host country market is just as choosing the target market. AS the forerunner work of localization marketing, its success and failure general directly relates to the success or failure of distribution strategy, even relates to the life and death of the localization management. This means enough analysis to the host country market is needed before Multinational Corporation carries on the localization distribution.

Many multinational corporations don't realized it fully, blindly enter a country market which other multinational corporations gained victory with insufficient market analysis, like this even if the powerful multinational corporation it also survival difficulty in the host country market.

Some other multinational corporations carried on some analysis of the host country market, but was just concentrated to representation analysis just as market demand, competition situation and so on, but the aspects as host country culture, commercial culture were not been investigated. The analysis neglected the important part of the market analysis, caused the market analysis one-sidedness.

4.2 Improper choose of host countries distribution business

The host country distribution business represent the goodwill, the product quality, as well as the company brand and so on of the multinational corporation, they are spokesmen of the multinational corporation in the host country, directly affect image of the multinational corporation and the product in the host country. Improper choose of distribution business is directly destroys the image of multinational corporation.

As one kind of important exterior resources to the multinational corporations take the localization management, the host country distribution business is worth carrying on analyzes and screens thoroughly. But in the reality, many multinational corporations have not screening distribution business in the host country enough, and they determine the cooperation relations with the host country distribution business with no investigation. And some other multinational corporations just weigh the host country distribution business by the standard which the parent company used mechanically, thought only the distribution business which has scale big, width sales network is more appropriate.

Improper chosen of distribution business, there is only transaction and profit relations between both sides, cannot appear with "identical body". Once the product of the multinational corporation cannot gain profit or the profit is less, the distribution business will terminate the contract with the Multinational Corporation immediately, even defeat to the multinational corporation localization management.

4.3 Cultural conflict cannot be solved effectively

Channel conflict is universal in the distribution process, if it is unable to be solved effectively, it will cause the channel efficiency lowly directly; destroy the corporate image and so on. The cultural conflict is the principal aspect.

Cultural conflict exists between distribution business and Multinational Corporation. Cultural difference exists all over the world, and has the strengthened tendency. During the multinational corporations carry on distribution localization, the distribution business they face is mainly from the host country. There are something different as communication way, values, religious education, thinking mode and organization culture, commercial culture and so on between them, but some multinational

corporations also have the old idea "I am high he is low, I am strong he is weak, I advocate him auxiliary", regard the distribution business as a distribution organization ——money tool, use object. There is not long-term cooperation desire and equal cooperation relational foundation between them. Thus the multinational corporations cannot analyze the question using the cultural environment of the distribution business, which causes the cultural conflict.

If the cultural conflict can not be solved effectively, it is very difficult to form various aspects recognition between the multinational corporations and distribution business. It is also difficult to construct a kind of partnership to develop the market together.

4.4 Less control to the channel

Channel control is the key of the channel management. Less control to the channel is very common problem of multinational corporations carry on localization distribution, and it mainly includes flaw management of terminal and less control to the distribution business.

The terminal is the last link of distribution channel, and is also a pivotal link. Most multinational corporations are attention to expand the distribution network. they reveal all sales duty are complete so long as the product were given to the distribution business, and neglect the importance of terminal, lack terminal management link. That causes disorder of commodity exhibition, and can not create scene experience for the consumers, and also can not get the welcome from consumers.

The main performance of the lack control to the distribution business is just as excessive believed distribution business, has not carried on the regular appraise to them, and also has not carried on the relative weight to the profit as well as not full communication to them. The markets that the company faces change quickly, and consumers' demand is also changing unceasingly, companies need to investigate the information about the consumer' likes, demands, opinions to the product and so on, but because lack control to the distribution business, the information between the company and distribution business can not be transmitted in time. The company cannot realize the feedback information about the consumer to the product really. Accurately, the company cannot make the fast response to the market, which causes the terminal competition unfavorable situation simultaneously.

4.5 Channel structure unaccustomed to the climate

During implementing localization marketing strategy, the product, the brand and the marketing management process all can be carried with global standardization, but some factors as channel, promotion and price generally needs to transact compatible according to the local demand. Because of the cultural difference each country marketing channel structure is different. For example distribution in the Japanese is generally completed by the wholesaler.

The multinational corporation, specially the large-scale multinational corporation is easy to believe the channel structure of themselves is reasonable, when they carry on localization distribution, just transplant the channel structure of the female country or other country channel to design and organization management the new distribution mechanically, do not analyze and innovation it, which causes the channel structure can not adapt the host country market, cannot prompt, fast transmit the product to the customer, and also can not coordinately development with other marketing strategies, even hinders other marketing strategies caring on smoothly.

4.6 Distribution localization excessively

Localization is a trend of the multinational corporation, but it is not to negative globalization, both of them should develop stimulation. As a part of the multinational corporation globalization distribution strategic, localization distribution must develop with company's overall strategy coordinately, cannot

come out alone.

Because it is too much to pursue localization, many multinational corporations distribution localization excessively. They construct a brand-new distribution channel which not consider the globalization strategy, its comprehensive nature and systematic premise, and always independent from its globalization strategic plan. The channel could not connect with the globalization strategy, unable to footstep develop with the globalization, even violate with it.

Distribution localization excessively make it is not different from the native channel, cannot completely manifest the multinational corporation superiority competitor's image, thus they lost their superiority just as it's difficult to imitate, unable to establish their own distinctive quality, competitive ability in the market.

4.7 Short of cross-culture distribution managers

Another universal problem exists in the distribution localization is run short of cross-cultural channel managers. Since long ago, the multinational corporations continuously concentrated on the host country market development, but had neglected talented person's raise, caused it is short of the localization distribution managers.

When carry on the localization distribution management, the multinational corporations frequently assign the parent company distribution managers or other country success localization distribution managers to manage the host country distribution. Many of them lack the understanding of the host country culture, commercial culture as well as etiquette and so on; they also don't have the managerial experience for the host country distribution, that causes communication can not be carried on effectively, distribution management problems frequent appearance.

5. COUNTERMEASURES

5.1 Analyze the host country market

Enough analysis and forecast to the host country market is necessity before you choose the distribution business from the country. Good market opportunity is the essential factor for transnational Corporations to enter the market. The transnational Corporations should enter the appropriate host country market according to their technical level, but not enter blindly. The main principle is that the market which appears bigger enter barrier, demands already satisfied, purchasing power is smaller, product life cycle to advance the company's product, competition floods in advance or control should not be entered.

After the appropriate host country market is chosen, the next step is to analysis the host country culture and the market. Accurate understanding to the host country culture can build the groundwork of cross-cultural effective communication. If the "elephant" battery can realize this it could not failure in the Western Europe market. And the market analysis, may understand something more about the host country competitors, the competitor distribution information channel pattern as well as customer demand.

5.2 Select appropriate host distribution business

Determine appropriate distribution business is the foundational work of localization management. It is different with choice distribution business in the domestic market, we must consider more factors and more comprehensive, because once the host country distribution business is determined, it is difficult to replace in a long period. Before the multinational corporations choose the distribution business they

should listen to the terminal sellers' and customers' opinions. Appropriate distribution business should satisfy must conclude stronger sale ability, abundant financial strength, good Corporations prestige, suit to the market culture and the country culture.

At the same time, the distribution business whose scale is similar with the transnational Corporations should be chosen, but not the company which is several times even several dozens times big then the transnational Corporations. Moreover, the distribution business must have the same value and similar organization culture with the transnational Corporations. Therefore, the transnational Corporations should analysis the distribution business from development history, strategic and high level manager's aspect and so on, guarantees both sides is similar in the faith and the values as well as the organization culture aspect, and distribution business approve to the transnational Corporations the management strategy, willing to distribute the transnational Corporations' product.

5.3 Construct partnership with distribution business

Along with economical development, competition in any national commercial are becoming more and more fiercely, the transnational Corporations must fully think much of the relations with the distribution business, carry on "double win" strategy, establish partnership with the distribution business, at last construct a real relationship channel.

5.3.1 Cross-cultural effective communication

Effective communication is a very important factor in the channel relation. It not only refers to information communication, also includes the emotion exchange between both sides. Effective communication increases understanding, eliminates cultural conflict, and constructs the scenery together.

The transnational Corporations first should raise administrative person to be able to adapt the host country environment, can understand the distribution business organization cultural · the host country culture and the commercial culture enough, and also can stand the standpoint of the distribution business to analyze questions; Then the long-enduring communication strategy must be used, but not just discontinue or disposable communication; finally, effective communication should be bidirectional, not only to expresses opinions unilaterally, both sides in the communication should collision, fuse unceasingly, understood and containing mutually, construct scenery together.

5.3.2 Provide supports

Provide supports can improve cooperation relationship between the multinational corporation and the host country distribution business and enhance the distribution business's confidence to the multinational corporation. The main methods of provide supports include:

1st. Strengthen training. The transnational Corporations should carry on training for distribution business from the host country at the right moment.

2nd. Information sharing. Through distribution business the database, the transnational Corporations may precisely to each consumer's purchase behavior thus reduces the management decision-making the non- rational degree to have the extremely essential function.

3rd. Help distribution business to construct channel. The channel depth and the breadth, directly affect to the product touch surface, also affects to the distribution achievement simultaneously.

5.3.3 Provide satisfy product and service

Whether the transnational Corporations provide the product is suitable for sale, is the key problem which the distribution business extremely concern of. Provide the distribution business with consummation service also can obtain distribution business cooperation and enhance the support condition.

firstly the transnational Corporations should act according to the market demand, the quality of the

product can meet the customers' need, and establish strict quality control system, guarantee product quality; Then guarantee the supply goods price justice, as well as supply goods timeliness, proper amount; Finally, the transnational Corporations must provide the high quality post-sale service.

5.3.4 Establish trust

Trust is the foundation of the channel partner relates and it is also the important attribute to maintain the long-term cooperation relationship. Channel members develop, maintain and promote relationship with other members through trust.

The most main method to establish trust is to maintain the assignment fairness and procedure fairness. Previous researches discovered always fairly treat distributors, can produce the trust feeling and the distributors will look for long-term cooperation; But neglect the distributors unfair complaint, often create the distributors don't have the trust feeling even cause hostility, affect the long-term relationship quality.

when treat the host country distribution business, the transnational Corporations must persist the fair principle, distribution business no matter the size and the status, should be treated impartially, treated by fair benefit of the profit, and take it verification and publicly, not sedulously deviation some distribution business, lets other distribution business have the unfair feeling.

5.4 Develop the terminal actively

It is not the termination of the sale work after the translational Corporations give the product to the distribution business. The Corporations certainly cannot regard the distribution business as the ultimate consumer.

While pay attention to distribution business, the multinational corporations also should carryout the market investigation and forecast by themselves, and put up rug-like advertisements propaganda, promotion offensive, portray a good image in the final consumer market to develop the terminal market and attract more consumers. So long as the brand loyalty is established in the consumers' mind, and the scale of consumers is enhanced, the distribution business will be glad to sell their product.

5.5 Channel structure should adjust measure to local condition

The channel quality, determine the company management. How to construct the localization channel, locate the channel development direction, is heavy center heavy of the localization distribution strategy, but the most important is the channel structure organization form.

The channel structure should not be solidifying. The different channel structure must be implemented according to the host country different, the market different and the time different. Must give the host country subsidiary company full authorization; let the subsidiary company have the full right to design the channel structure. For example "BP industrial lubricant" company has the certain difference marketing channel pattern in the Asian and Pacific area.

Along with the time passed the channel structure should not be supposed dust to be invariable. Transformation and innovation distribution of the channel structure is an eternal subject in the company marketing activity. When conditions are ripe, the multinational corporation should establish self-management distribution channel cross distribution business, makes a multiplication distribution system.

5.6 Assurance of globalization strategy

Localization management is the inevitably choice of multinational corporations, but it is just close to the native company, it is not become a real native company. While comply with the localization trend, the

multinational corporation should base on the globalize strategy currently, not separate from it.

When carry on the localization distribution strategy the multinational corporation, should take the international distribution strategy as the instruction, conformity and innovation distribution channel during melting into the host country market, to create a brand-new distribution channel which can't be imitated by the competitor.

6. CONCLUSION

Implement localization management already becomes the foundation of the multinational corporations to obtain the market niche and realization globalization strategy. On the base of analysis the important foundation of the localization management, this paper analysis present problems exist in the localization distribution in view of some typical cases, based on the "question - countermeasure" master line, and then the corresponding solutions are formulated. It can enhance the multinational corporation manage ability of localization distribution, and avoid the similar problems. Simultaneously the multinational corporation can take it as a examine method, discover the similar question ahead of schedule, increase the localization management successful possible of the multinational corporations.

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