

NEW PERSPECTIVES ON GLOBAL MARKETING: A CASE STUDY OF UNIQLO IN THE PHILIPPINES

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ABSTRACT. *When a company develops marketing across borders, should it be adapted to the characteristics of that market? Or should it be standardized and consistent on a global basis? Which should take precedence has been a long-running debate in the academic and practical realms of international marketing, but the issue has yet to be settled. In this paper, the author examines the important issue of standardization versus adaptation in international marketing from a new perspective through field research and interviews with Fast Retailing, a Japanese global apparel company that operates the UNIQLO brand, regarding its marketing practices in the Philippine market. The results show that while the debate on adaptation versus standardization has traditionally focused on cost versus sales, the addition of the perspective of brand value enhancement, which is important in today's highly competitive international marketplace, makes the orientation toward standardization highly significant.*

Keywords: Global marketing, Standardization, Adaptation, Emerging market, Apparel

1. Introduction. In international marketing, standardization vs. adaptation is one of the most important topics that have been discussed for a long time. For a company doing business globally, it is possible to minimize increased costs if the same products and services are deployed in other markets as they are in the home market. On the other hand, consumer needs, business practices, and culture generally differ from country to country, and there is a large potential for lost sales opportunities if the same marketing mix is used as in the home country. Conversely, if the marketing mix is carefully adapted to fit each market, it will contribute to expanding sales opportunities, but the cost of doing so will be a problem. Which method should be prioritized when expanding into foreign markets? This has long been an issue in international marketing.

In the example of international marketing practices in companies, McDonald's has been aggressively marketing its rice products in Southeast Asia, which are not available in the United States and Europe. It is also aggressively promoting adaptation by flexibly changing prices to match the income level of each country. On the other hand, Starbucks has basically the same products, services, signage, and interior design everywhere in the world. Although there seems to be a slight difference in prices, at least they have not made any drastic changes to adjust to the price level of each country. UNIQLO, a Japanese company that has become one of the world's leading apparel companies, is also developing international marketing based on standardization. Whenever the author has visited the United States, the United Kingdom, France, China, Korea, and other countries, he has stopped by UNIQLO's huge stores in prime locations in each city, where he has found products similar to those in Japan at about the same price as in Japan. Even in the Philippine market, where the per capita GDP is about one-tenth that of Japan, these basic

marketing policies have not changed. In other words, Filipino consumers buy UNIQLO products at more than 10 times the price of Japanese consumers. Despite this situation, UNIQLO has gained strong support from local consumers in the Philippine market and has achieved significant growth.

In this paper, prior research on standardization vs. adaptation will first be examined. Next, UNIQLO's success factors in the Philippine market will be clarified through a discussion of local consumers' awareness of UNIQLO in addition to UNIQLO's marketing strategy in the Philippine market. The influence of the country of origin (COO) of Japan, where UNIQLO is headquartered, on local consumers' perception of UNIQLO will also be examined. Based on UNIQLO's development in the Philippines, new implications for standardization vs. adaptation will be added. In the study, an interview was conducted with Katsumi Kubota, Chief Operating Officer (COO) of Fast Retailing Philippines, on August 14, 2017, at the local headquarter. In addition, a field survey was conducted on UNIQLO stores in the Philippines on an ongoing basis from 2018 to 2020.

2. Problem Statement. International marketing was not established as a strategic system until after World War II, when most U.S.-based multinationals were born [1]. At that time, extension marketing, which was simply an outward extension of marketing in the home country, was the mainstream. In the 1960s, the issue of international marketing coordination became the subject of much debate, which basically involved the extension of marketing activities in the home country with little or no modification, or adaptation to the local market at great cost [2, p.32]. Buzzell, who articulated the possibilities and limitations of international marketing standardization in multinational corporations (MNCs), noted that the premise is that U.S. firms implement strategies based on strict distinctions between each country [3]. Aylmer, in his study of standardization in MNCs' marketing decision making, also pointed out that the assumption is generally that authority is largely delegated to local management units in each country [4]. Morokami and Fujisawa also argued that during this period, many international management and marketing theories were rather environmental deterministic and oriented toward effective adaptation to foreign environments and decentralization [2, p.33].

In the 1980s, Levitt noted that technological advances such as information communication and transportation have made everyone in the world want everything they hear and see through these new technologies [5]. He also pointed out that the result has been the emergence of a global market in which standardized products account for a greater proportion of the market than was previously imaginable, and in response to this market, he strongly argued for the advantages of standardized international marketing over adaptation as follows, "Multinational companies are not the same as global companies. Multinationals operate in many countries and adapt their products and business methods to each market, which is relatively expensive. Global firms have lower costs because they operate consistently, view the world or a large region as a single market, and sell the same products and the same methods everywhere. Which strategy is better is not a matter of opinion, but of necessity. It is undeniable that the world's needs and wants have become homogeneous, and this makes multinationals obsolete and puts global companies in the lead". In response to Levitt's points, the 1980s saw a lively debate about the advantages of adaptation, standards, or a combination of adaptation and standards [6]. Some of these debates included claims that "it is important that standardization and adaptation take place in parallel in a mutually simultaneous manner", [7] as well as criticism of the dichotomous scale framework itself [2,8]. However, for example, Samiee and Chirapanda noted, "Research on international marketing strategy (IMS) can be divided into three streams: studies addressing the extent of IMS adaptation or standardization, studies examining performance consequences of IMS of MNCs, and studies specifically focusing on

performance outcomes of IMS of exporters” [9], and the theme of standardization vs. adaptation remains important today.

In the 1980s, Levitt captured the market as a homogenization of global consumer needs due to the strong influence of media such as television and movies, but today, the Internet, which has widely penetrated society, has an even greater impact on consumers. In addition, competition in the international market has become even more intense, making it significant to reexamine standardization vs. adaptation. Given these characteristics of modern markets, this study adds brand to the evaluation axis in addition to cost and sales, which have been the focus of attention in the past. In this regard, Steenkamp pointed out that “Solving the tension between the need to adapt advertising to local values and regulations and the need for global consistency and adherence to corporate values” is an important theme to be addressed in international marketing in the future [10]. In addition, because conventional research has been notably biased in that it has often focused on developed markets [9], this research focuses on emerging markets, which will become increasingly important in the future. Specifically, this study targets the marketing of UNIQLO, a global Japanese apparel brand, in the Philippine market.

3. UNIQLO Marketing in the Philippines. The interview with Katsumi Kubota, COO of Fast Retailing Philippines, on August 14, 2017, at the local headquarter was conducted to gather information on UNIQLO’s entry into overseas markets, an overview of UNIQLO’s business start-up in the Philippines, characteristics of the Philippine market, competitive environment, and marketing practices, including branding. In addition, field surveys to UNIQLO stores in the Philippines on an ongoing basis from 2018 to 2020 were conducted to study local consumers’ attitudes toward UNIQLO and Japan, observe consumers’ in-store behavior, and confirm the service provided by store staff in the stores.

3.1. UNIQLO overseas expansion. The origin of UNIQLO can be traced back to the men’s shop Ogori Shoji, which was founded in 1949 in Ube City, Japan [11]. Later, in 1984, the first UNIQLO store opened in Hiroshima City. As of the end of August 2022, Fast Retailing Co., Ltd., which has a UNIQLO brand, had 3,562 stores (including other brands such as GU and Theory) with annual revenue of 2,301 billion yen and operating income of 297 billion yen. UNIQLO’s business model is a SPA that consistently handles planning, material development, material procurement, production, logistics, and sales, and provides high-quality casual wear at an affordable price. Concerning the FAST RETAILING WAY (Principle of Fast Retailing), the statement “Change clothes, change common sense, change the world” is appealing. Regarding the product, the concept of “LifeWear” is interesting. “LifeWear” means “Ultimate everyday wear that makes people’s lives richer and more comfortable”, and it is emphasized that it is the only new category of clothing in the world created by UNIQLO [12]. It is also declared for being created with the new breath of the times based on the Japanese values of being simple, high quality, and usable for a long time. Concerning product development, to further evolve into a brand loved around the world, a full-fledged R & D center was established in the fashion centers of the world such as New York, Paris, London, Tokyo, and Shanghai. Besides, several employees of Toray Industries, Inc., a strategic partner, are stationed at the UNIQLO headquarters and collaborate with UNIQLO employees every day to develop innovative materials.

UNIQLO’s overseas expansion began in London, UK, in September 2001. The number of stores as of the end of August 2022 was 1,585 overseas compared to 809 stores in Japan, and overseas sales accounted for approximately 58% of the total UNIQLO business [11]. High growth continues, especially with store openings in Greater China (China, Hong Kong, Taiwan), South Korea, and other Southeast Asian countries. Looking at the breakdown, China accounts for more than half, with 897 stores, followed by South Korea

with 122. Although the US has reached 43 stores, it can be said that the number of stores including Europe is not dramatically increased compared to Asian countries. Comparing 2021 and 2022, the number of stores overseas has been increasing steadily, but in Japan, it has slightly decreased. However, in Japan, in addition to UNIQLO, a new brand called GU has been steadily growing.

3.2. UNIQLO in the Philippines. Fast Retailing Philippines, which operates the UNIQLO business in the Philippines, was established in January 2012 as a joint venture with SM Retail and started opening stores in the Philippines market in June 2012 [13]. The number of stores in the Philippines increased from 40 at the time of the interview (August 2017) to 65 by August 2022. Even among the ASEAN market where UNIQLO has a strong influence, the Philippines is the fastest in the number of stores and the increase in sales. Besides, profitability is exceptionally high. Because though UNIQLO's business model is a SPA where it is necessary to establish a store and hire its staff, these costs can be kept to a very low level in the Philippines. First of all, concerning opening a store in a shopping mall, which is the main purchase place for local consumers, UNIQLO's strength of being a global brand makes it possible to negotiate rents and other advantages. Shopping malls tend to think that if UNIQLO, a global apparel company, opens a store, the number of customers will increase, and the value of the mall itself will increase. Also, with regards to staff costs, the standard level is 1,000 yen per day, which is roughly one-tenth of Japan.

3.3. Philippines market. Regarding the difference between the Japanese market and the Philippine market, first, an easy-to-understand point is the difference in the climate. In Manila, the Philippines, April and May are called summers, which are especially hot days but are as hot as Japanese summers throughout the year. Concerning this difference, it is only necessary to carry out an assortment centered on summer products from among the globally standardized products; therefore, this is not a severe problem. However, it is also true that the local company in the Philippines has made efforts to encourage the Japanese headquarter to increase the number of summer products globally. Second, focusing on the consumer's body shape, for example, Filipinos are 8 cm lower than Japanese, but this difference can also be dealt with by gathering mainly small sizes from among the products developed worldwide.

On the other hand, the problem of disparity in Philippine society is a difficult task that cannot be simply addressed. While the average daily salary of a store clerk is 500 pesos, for example, there is a Manila Polo Club in Manila. Polo is a sport that uses horses. Moreover, because the horses get tired on the way, participants must prepare about three horses instead of one. In other words, such a wealthy class exists at a certain rate. These wealthy people frequently go abroad and are shopping at the vast UNIQLO global flagship stores in New York, Paris, London, and Tokyo. Therefore, even in the Philippines, wealthy people purchase UNIQLO as a global apparel brand. It is interesting to note that the global flagship store is not merely a place to sell products, but also functions to advertise the brand worldwide. Indeed, there is an option to specialize in the high-end business targeting the wealthy, and in fact, ZARA and GAP are doing business centered on the wealthy in the Philippines. However, UNIQLO is not limited to such wealthy people in the Philippines and is aiming to become the market leader in the mass market. Therefore, while taking care of the image of a global apparel brand, UNIQLO is developing an approach that attracts the ordinary people of the Philippines. The image of a global apparel brand has a significant impact on the wealthy but is too far away from the general public, so they cannot catch the image well. Therefore, in the campaign that celebrates the 5th anniversary since opening in the Philippines, measures are taken such as adopting the Philippines representative who won the Miss Universe as the image character, instead of the white model.

These efforts have been successful, and it has become popular among many people in a wide range of age groups as commemorative gifts. For example, it has become a popular product for Christmas presents among college students. Although the economy in the Philippines is growing steadily, it is still difficult for the general public to buy cars and houses in a country with a GDP per capital of \$3,000. Nevertheless, they want to add some luxury to restaurants and clothing. UNIQLO seems to be well-matched to these needs. However, UNIQLO's high-functional products such as "AIRism" are quite expensive for the general public; consequently, the general public is most likely to buy products with a moderate price range.

3.4. Competition in the Philippines. In terms of global apparel sales, Inditex (ZARA) is first, H&M is second, Fast Retailing (UNIQLO) is third, and GAP is fourth. The top, Inditex, has entered the Philippine market with a franchise and is not currently working very well. H&M is a strong competitor for Fast Retailing, with large stores in prime locations in major shopping malls. Moreover, BENCH, SPA from the Philippines, which has been popular among young people, is also a strong competitor. BENCH started in 1987 from a small store that sells men's T-shirts and now has many stores throughout the Philippines [14]. Their prices are about 20-30% lower than UNIQLO. The author picked up the product at the BENCH store and then felt that its material was durable and sewing good. Besides, the product tag emphasized "Cloth made in Japan". However, in interviews with local university students, the evaluation of "Not so good" is conspicuous, and attention is likely being paid to UNIQLO and H&M, which are newly established foreign apparel. BENCH mainly targets 12 to 25 years of age and specializes in young people. In the Philippines, where the population is increasing, many young consumers will flow in every year so that BENCH can grow as a business in even this specific market. H&M also mainly targets young people. On the other hand, UNIQLO is aimed at a wide range of age groups, and in the Philippines, it is a place where the whole family can shop.

3.5. Value of Japanese COO in the Philippines. It can be said that the image of Japan in the Philippines is extremely highly rated. For example, when Filipinos go abroad for sightseeing, Japan is a very high priority. There were various impressions of visitors to Japan, such as clean, safe, cutting-edge, convenient, and delicious Japanese food, but all were very positive. Even people who have never been to Japan have an excellent impression of Japan due to the influence of anime, TV news, and movies. Regarding components of COO (Country of Origin), which means a national brand, politics, economy, society, technology, culture, and ethnicity are generally taken up. Many consumers in the Philippines seem to appreciate Japan's COO mainly because of social, technological, and cultural influences.

UNIQLO is actively using this Japanese COO. For example, in advertising, they emphasize themselves as "UNIQLO from Tokyo, Japan" and "The Global Japanese Apparel Retail Brand". With these ads, most consumers in the Philippines recognize that UNIQLO is a Japanese apparel company. This is very beneficial for UNIQLO because many consumers in the Philippines have the image that "Made in Japan is high quality" thanks to Japanese home appliances and automobile manufacturers that have spread excellent products to the world. Based on this background, while valuing the image of Japan plus global apparel, UNIQLO's basics: "Good quality, good service", "LifeWear: the ultimate everyday wear that makes people's lives richer and more comfortable", and "Japanese values of simple, high quality and long-lasting use" are strongly emphasized in the Philippines. UNIQLO is a high price category for middle-class consumers in the Philippines. Nevertheless, the reason why UNIQLO has been successful seems to be the influence of Japanese COO in addition to the attractiveness of products and services.

3.6. Adaptation to the Philippine market. In analyzing UNIQLO's overseas strategy, it is essential to understand the concept of "Global is local; local is global". This means that "Essential/Principles that are applicable globally (beyond common sense) are universal even if they are moved to local countries, and there are no essential differences in clothes, stores, and services that people feel good in different countries. The essence of what is important locally has global essence, and it is important not to be confused by surface differences". Under this concept, Fast Retailing sells UNIQLO brand basically in the same products, prices, services, and stores that are globally standardized for any market in the world.

However, are there any factors that are adapted to the characteristics of the Philippine market? In this regard, the author confirmed it based on the framework of the Seven P's (product, price, place, promotion, people, process, and physical evidence) that is frequently used in service marketing. As a result, as for the consumer's preference for the product, the common part is far more noticeable than the different point compared to Japan, for example. In this regard, consumer needs for casual apparel around the world seem to be homogenous, except for markets with strong Islamic influences, such as teachings not to expose the skin. Regarding selling prices, UNIQLO does not sell at low prices in consideration of local price levels. Conversely, initially, it was set at about a 10% higher price than Japan due to extra expenses. Other factors are also basically not adapted.

On the other hand, UNIQLO is adapting two factors to the market. First is the service. Filipino national character is cheerful and kind, especially caring for the elderly. A few years ago, one store staff voluntarily started a service to provide pipe chairs to older people who are standing in the store and waiting for family shopping. Currently, this service is widespread in UNIQLO in the Philippines. Second, promotion is also being adapted. Although the message to be communicated is standardized globally, regarding the media to be used, for example, in the Philippines, newspapers are subscribed only by some rich people, so the effect is weak. TV is particularly popular among low-income groups in the Philippines, but they are not main UNIQLO customers. Also, many young people are no longer interested in TV. Therefore, TV advertisements are not valid for UNIQLO, and the Internet plays a significant role in promotions. In particular, Facebook is popular and actively used in the Philippines. Concerning other promotional methods, discount coupons were also distributed for one to two years after entering the market, but there seems to be no promotion of price appeal at present. Besides, English is widely used in the Philippines, but conversations are conducted mainly in the Filipino language among ordinary people. Therefore, it may be better to use the Filipino language for advertisements such as in-store POPs and product tags, but many words in the Filipino language have a variety of meanings; therefore often the product features cannot be clearly explained. In addition to this problem, to keep the image of the people's admiration of UNIQLO, it is also essential to not be too close to the ordinary people and not to destroy the global image. Therefore, UNIQLO currently uses only English.

Mr. Kubota, COO, said, "At first, I felt the need for adaptation to the Philippine market, but now I am strongly interested in standardization". In other words, it seems that the UNIQLO Way is getting firmly rooted in the Philippines. If UNIQLO actively adapts to the Philippine market and for example, reduces prices, it will compete with jeans (300 yen) and T-shirts (about 100 yen) that are sold in stores such as BENCH and street stalls that have strong power locally. As a result, UNIQLO must have been struggling in this competition. Indeed, Nike, for example, is adapting to the market in various ways, but because it is an absolute brand that everyone recognizes. On the other hand, even if UNIQLO does the same thing, it will only blur the identity, and the negative side might be more significant.

In summary, UNIQLO’s marketing in the Philippines tends to be strongly standardized in terms of product, price, place, people, and physical evidence such as store interiors and exteriors. With respect to promotions, advertising messages are standardized globally, whereas the balance of media used is adapted to be effective for Filipino consumers. Also, process representing customer service is basically standardized on a global scale, but it is also adapted moderately to meet the needs of consumers.

4. Concluding Discussion.

4.1. Building a strong global brand. In UNIQLO’s marketing efforts in the Philippines, standardization was more important than adaptation. In this regard, the author would like to focus on building a strong global brand. In the conventional standardization vs. adaptation debate, the focus has often been on cost and sales. While standardization is advantageous for cost reduction, there is a high possibility of losing sales opportunities due to mismatch with local consumers’ needs. Conversely, while adaptation is effective in increasing sales, it increases costs by increasing the amount of money and time involved in changing products.

Needless to say, cost and sales are important axes of comparison, but in today’s highly competitive environment, it is important to avoid price competition and ensure appropriate margins. In order to achieve these goals, establishing a strong global brand is an important issue for many global companies. If a strong global brand can be established, it will effectively differentiate the company from local competitors, and as a result, it will be possible to secure appropriate margins. Of course, if the basic functional value of the product is superior to the competition, branding is not essential, but in today’s technologically mature world, this is not easy to achieve.

4.2. The growing importance of standardization. From the perspective of building a strong global brand, it is often more effective to emphasize standardization rather than adaptation. This is because excessive adaptation can greatly impede a sense of brand unity. Furthermore, the traditional comparisons of cost and sales are short-term in perspective, while the brand perspective is important to promote long-term corporate growth (Table 1). As a result, the development of global marketing that emphasizes building a strong global brand and the standardization that facilitates it can become a major trend among global companies.

TABLE 1. New perspectives on standardization vs. adaptation

	Standardization	Adaptation
Cost	***	
Sales		***
Brand	***	

With regard to future research, UNIQLO, the focus of this study, is strongly oriented toward standardization, and in fact, many companies are conspicuously oriented toward standardization. However, there are also companies that are oriented toward adaptation and are successful. It is important to study these companies and review the strengths of adaptation. New discoveries can be expected, for example, information and communication technologies have greatly reduced costs and time in development, production, and distribution. Then, it may be possible to propose new frameworks such as product characteristics, business categories, company size, and COO, that are appropriate for standardization and adaptation, respectively. In addition, themes related to strategies for local firms to compete with major foreign firms entering the market will also become important in the future.

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