



## ACADEMIC PAPER

# Levi Strauss: an international marketing investigation

An international  
marketing  
environment

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**Abstract** *In their consistent search for growth opportunities, firms are increasingly recognising the benefits of becoming multinationals and expanding internationally. This case study outlines a theoretical exegesis of global standardisation and international adaptation. The debate between these two concepts is explored and their respective benefits considered. Subsequently, the role of the marketing mix and strategy are examined in relation to the above approaches along with the consideration of the various factors, which suggests a particular marketing mix approach. Finally, the feasibility of an overall marketing strategy will be assessed with the assistance of the appropriate theoretical models. In facilitating the comprehension of the above task, Levi's the fashion clothing retailer and their jeans' subdivision is utilised to exemplify all the issues outlined.*

### Global standardisation or international adaptation: a theoretical background

With ever increasing improvements in transport, communications, and reduced trade barriers, international trading which was once considered a luxury is now a necessity in many sectors (Vrontis *et al.*, 1999).

Once the decision to venture into international markets has been taken, there are two broad strategies, which can be adopted. A fundamental strategic decision has to be made immediately as to whether to employ a uniform marketing mix as part of a global strategy or whether to adjust the marketing mix and strategies to take account of the unique characteristics of each local market.

Supporters of global standardisation such as Levitt (1983) argue that a corporation should operate as a single entity selling the same items everywhere in the same way. They believe the world is becoming increasingly homogenised in its consumer requirements and that the force driving this process is technology, which has facilitated communication, information capital, transport, and travel. Thus the recent resurgence of interest in the international standardisation issue is attributed to such global influences as TV, films, widespread travel/increased tourism, telecommunications, and the computer.

Additionally, there are a variety of motives underlying a firm's decision to trade globally. Such incentives could be the ability to enjoy economies of scale as a consequence of large output, the ability to extend the life cycle of their product in the phase of a mature domestic market and the escape from increasing levels of



domestic competition. The unification strategy for the entire international market produces gain of lower costs, consistency of product and promotion and greater uniformity and consistency for the mobile consumers.

However, the above position (standardisation) is opposed by supporters of the adaptation school of thought, who react directly to the sweeping and somewhat polemic character of their argumentation. The contrary case argues that globalisation seems to be as much an overstatement as it is an ideology and an analytical concept (Ruigrok *et al.*, 1995). The polar opposing view provided by the adaptation school of thought emphasises the various differences evident in international markets and urges multinational companies to adjust the marketing mix elements and marketing strategies accordingly. The advantage of the specific marketing mix approach is that strategy is tailored to suit local market needs while flexibility and responsiveness are maximised. With this in mind, supporters of this school of thought, believe that marketing orientation is achieved at an optimal level.

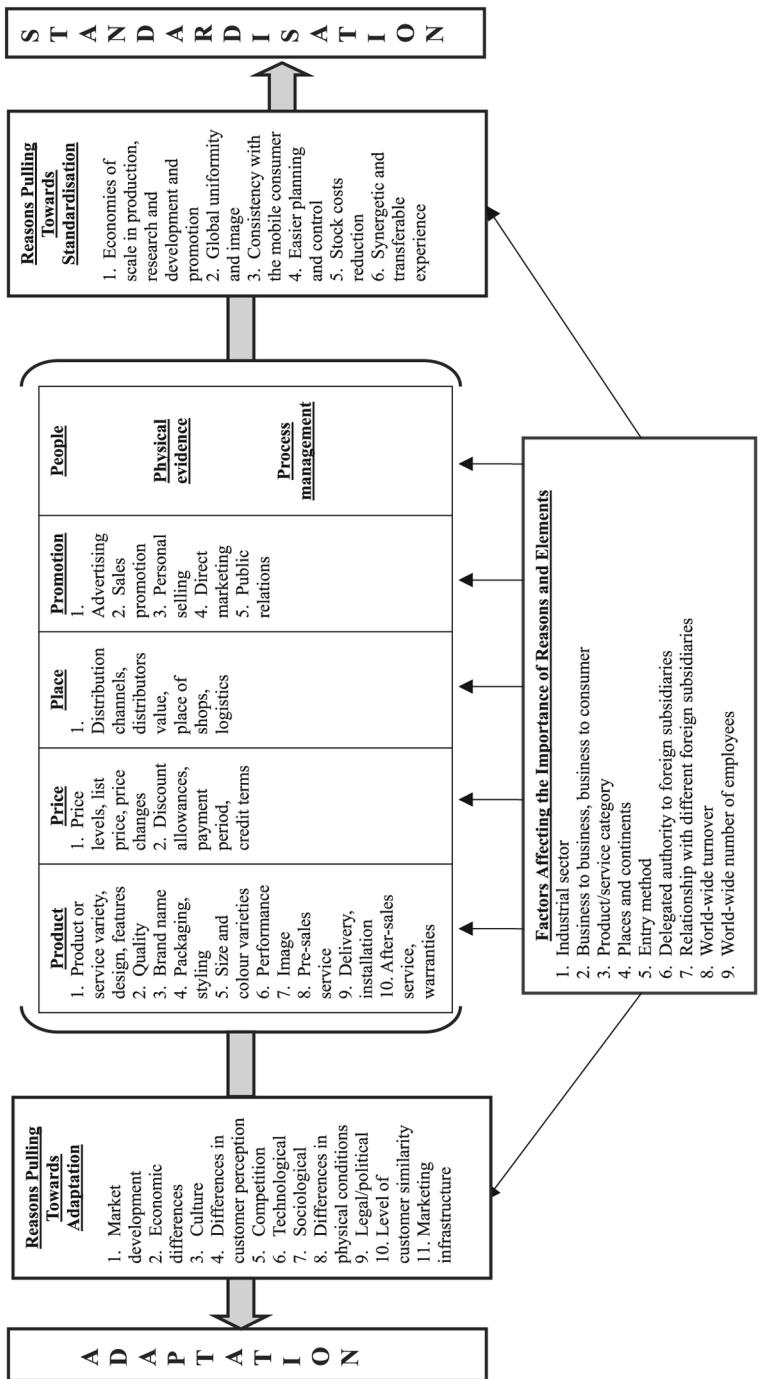
In reality, neither of these polarised views is feasible or even desirable, and it is argued that adaptation and standardisation co-exist. The huge costs involved in the use of an international adaptation approach, together with the multinational companies' desire to reap the benefits of standardisation do not allow international adaptation to be used in an absolute manner. Similarly, organisational differences, heterogeneity among different countries' macro and microenvironment as well as companies' desire to satisfy consumer's diverse needs do not allow standardisation to be practised extensively, as suggested in the literature.

It is therefore suggested that the international marketers should have to search for the right balance between standardisation and adaptation and therefore determine the extent of globalisation in a business and adapt the organisation's response accordingly. The decision on standardisation or adaptation is not a dichotomous one between complete standardisation and adaptation. Rather it is a matter of degree and there is a wide spectrum in between that the international marketer should be aware. This integration of adaptation and standardisation driving a company towards optimising performance is extensively researched by Vrontis (2003). Vrontis argues that the level of integration is dependent upon considerations of the relationship between the reasons and elements identified and an understanding of how these are affected by a number of factors. This is shown in Figure 1.

Vrontis (2003) proposes a new modelling approach, the AdaptStand Process, which outlines the different stages to be undertaken by multinational companies towards identifying the level of integration across marketing mix elements. The results of his research are of paramount importance in guiding marketing practitioners in deciding on implementation of marketing tactics when competing in the international marketing arena.

In identifying and analysing the level of globalisation and assessing the feasibility of a global marketing strategy and tactics this case study will focus on jeans as a product and specifically Levi jeans as a brand.

Levi has been chosen as a consequence of its widespread penetration of the international jeans market. It is the world's largest manufacturer of trousers, notably blue denim jeans. Initially aimed at cowboys, blue denim jeans spread to the whole US population and were eventually exported worldwide (Britannica Encyclopaedia, 1999).



Source: Vrontis (2003, p. 286)

**Figure 1.**  
International considerations – leading to AdaptStand integration

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### Levi Strauss & Co. an overview

According to the company's Web site ([www.levistrauss.com](http://www.levistrauss.com)) the company was founded in 1853 by Bavarian immigrant Levi Strauss, Levi Strauss & Co. (LS&Co.) is one of the world's largest brand-name apparel marketers with sales in more than 100 countries. There is no other company with a comparable global presence in the jeans and casual pants markets. Our market-leading apparel products are sold under the Levi's® and Dockers® brands.

In 1873, Levi Strauss and Nevada tailor Jacob Davis patented the process of putting rivets in pants for strength, and the world's first jeans – Levi's® jeans – were born. Today, the Levi's® trademark is one of the most recognized in the world and is registered in more than 160 countries.

The company is privately held by descendants of the family of Levi Strauss. Shares of company stock are not publicly traded. Shares of Levi Strauss Japan K.K., the company's Japanese affiliate, are publicly traded in Japan. (For additional financial information, visit our "News and Financial" section).

The company employs a staff of approximately 12,500 people worldwide, including approximately 1,500 people at its San Francisco, California headquarters.

Levi Strauss & Co. is a worldwide corporation organized into three geographic divisions:

- (1) Levi Strauss, the Americas (LSA), based in the San Francisco headquarters;
- (2) Levi Strauss Europe, Middle East and Africa (LSEMA), based in Brussels; and
- (3) Asia Pacific Division (APD), based in Singapore.

Facing pressure to lower the prices of its clothes, jeans maker Levi Strauss & Co. illustrated the need for reorganisation. The company plans to cut up to 650 jobs in the United States and Europe to minimise its expenses. The cut represent 5 per cent of Levi's worldwide work force of 12,500 employees and continues an overhaul that has eliminated thousands of Levi's jobs. Just recently, Levi's closed six US manufacturing plants in a move that redundant 3,600 workers (Liedtke, 2003).

The jeans maker has been struggling to reverse a six-year slide in its sales as consumers began buying trendier or less expensive clothes. In an effort to overcome this problem back, Levi's has designed more clothes to appeal to teenagers and young adults, and cut costs to lower prices. The company also entered the discount jeans market earlier this summer with a new brand called Signature that is sold in Wal-Mart stores in America.

The changes helped boost Levi Strauss' sales to \$1.1 billion in its most recent quarter ended on 24 August 2003, a 7 per cent increase from last year, according to preliminary results. The privately held company said its third-quarter profit will range from \$24 million to \$28 million, a 75 per cent to 104 per cent rise from the previous year.

Levi Strauss currently wants to use supermarkets to sell a new range of discount clothing. This comes despite a bitter legal battle with Tesco over the right of the chain to sell cut-price Levis sourced from the so-called "grey market" outside Europe without the consent of the jeans maker. At this legal battle, Tesco eventually lost a ruling in the European Court of Justice in 2001 although it promised to continue stocking designer brands such as clothes, fragrances, sportswear and Champagne at knock-down prices by purchasing them within the EU – a practice still allowed under trade rules.

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Levi Strauss says it plans to launch a “value” range of clothes for adults called Signature including jeans for about €36 a pair – at least €25 cheaper than ordinary Levis. Tesco and Asda said it has had an initial conversation with its former adversary about stocking the range.

Levi Strauss has decided to expand the range to France, Germany and the UK from early next year to tap into the growing demand for good quality discount clothing which has been spearheaded by supermarkets.

### **Factors affecting standardisation or adaptation of Levi’s strategy and tactics**

A diversity of factors determine whether the marketing mix can be standardised for all customers in the jeans market or whether it needs to be adapted to suit specific market conditions. These include socio-cultural, legal/political, physical environmental, technological, demographic, competition and economic factors.

#### *Socio-cultural factors*

Socio-cultural consists of language, religion, ethnics, values and customer perceptions. It heavily affects the product and promotion elements of the marketing mix because they are the most culture-bound aspects. Differences in culture attitudes lead to enormous variations in product and advertising standards and expectations.

Levi wishes to minimise the degree to which culture prevents them from producing standardised promotional campaigns. This is because of the benefits of economies of scale and the higher quality that can be obtained for a single advert than for a multiplicity of local adverts. Consequently, Levi Strauss paid \$550,000 for one series of TV commercials (Jeannet *et al.*, 1998) to use around the globe.

However, it should be mentioned that Levi’s success turns on its ability to create a global strategy that does not stifle local initiative. It is a delicate balancing act, one that often means giving foreign managers the freedom needed to adjust their tactics to meet the changing tastes of their home markets (Business Week, 1990).

In addition to the effect on the design of adverts, cultural differences have a linguistic implication with regard to the product name. The brand name of a product is a key element of its promotion but care has to be exercised to avoid causing offence in translation or using symbols that do not have the same significance worldwide.

Culture can also be a barrier in relation to the suitability of the product in particular local markets. Countries differ in their tastes and fashions may create the need for adaptation. For example, in Islamic countries females are discouraged from wearing tight fitting attire. Moreover, Japanese consumers prefer tighter fitting jeans than the American counterparts (Czinkota *et al.*, 1995). It is therefore evident that fit, design and style of jeans need to be adapted to meet the requirements of the local buyers.

The appropriate colours to use both in the product and the promotional materials also have cultural dimensions. For example, the white colour is associated with death in China but black is the colour of death in Europe.

Less obviously, the distribution is also affected by cultural norms. Levi Strauss when setting up its own direct sales force, found that the debt collection period was a six month period in Japan compared with a one month period in the home country (Terpstra *et al.*, 1994). Adaptation to such local trading customs was necessary in order to penetrate the Japanese market.

Haggling over price is a cultural tradition in many societies such as Africa but rarely used in many European countries. It is therefore important for pricing to take into account of cultural habits before setting the final price in different individual markets.

*Legal factors*

Promotional activities are regulated in all countries by legislation. One of Levi Strauss's most famous television commercials used the music of Martin Gaye as a background to a 1950s image of a young man stripping to his boxer shorts and washing his 501's in a laundrette. A variety of adaptations were required in local markets. For example, the original commercial had to be re-shot in Australia and Brazil because the local regulations insisted on domestic produced commercials. Furthermore, many South East Asian countries exercised their censorship power and banned the commercial completely (Jeannet *et al.*, 1998).

There are relatively few legal restraints upon the choice of distribution channel. However, there are exceptions such as France and China's prohibition against door-to-door selling which may not be particularly applicable to jeans.

*Physical environmental factors*

The different climatic conditions found in different parts of the world have a very significant affect both on the total demand for jeans and in the type of jeans made available. The European climate, particularly in its northern regions is well suited to wearing standard denim jeans. Other hottest climates require thinner denim in brighter colour and possibly in shorts versions. It is therefore the product element of the marketing mix that is affected by climate factors. The remaining elements of the marketing mix are less affected by climate.

*Technological factors*

Technological considerations concern whether the local market has sufficiently developed technologies to take full advantage of the product. High technologies are required to make full use of the variety of promotional methods using alternative advertising media such as television or Web sites.

Similar considerations apply to the distribution of the product. For example, whether consumers can utilise online home shopping facilities. In less developed countries, for example in Africa, where such technologies are in a rather inchoate stage, adaptation is required such that a greater extent of use is made of more traditional methods. On the other hand, in developed countries Levi make use of the electronic data interchange system to order and monitor stock levels with their customers such as major department stores in order to avoid costly stock-outs. This is not used in developing or third world countries (Kotler, 1997).

*Demographic factors*

Demographic factors and the characteristics of a country's population, for example physical size, can affect the market for jeans. Different global regions are associated with particular average heights of their inhabitants. For example, the Far East Asian market requires shorter inside leg measurements than the Western countries, again emphasising the need for product adaptation.

It is scientifically proven that the human body structure and proportions are not globally identical. Therefore selling standardised sizes has led many companies to major failure when trading globally. To avoid such failures one should consider the adaptation of local fit and sizing.

### *Competitive factors*

The nature of competition in different local markets will affect each element of the marketing mix for jeans.

Marketing-based pricing strategies will have to take into account the prevailing prices of substitute products, whether imported or domestically produced. A substantial local based industry is likely to create more intensive competition in less developed local markets due to cheaper costs of production.

Similarly, the more intensive the domestic and imported product competition, the higher the quality Levi merchandise needs to be. If however, the only competition is domestically produced and is of an indifferent quality, then quality levels are less significant. Hence, the product will need to be adapted accordingly.

The nature of the promotional campaign will have to be partly derived from the actions of rivals. The advertising budget and media used are sometimes with rival expenditure levels in mind. For example, in advanced countries TV is the dominant advertising media and is heavily used by rivals such as Lee Cooper and Wrangler and therefore Levi Strauss has little option but to follow suit. If the competitive infrastructure was otherwise, this would lightly affect the promotional strategy and tactical approach used.

Distribution may have to be adapted when the manufacturers have exerted pressure on retail outlets to discourage them from selling Levi Strauss products. Where this arises, adaptation can take the form of switching to direct selling either through opening specific Levi stores and/or using another selling method such as the Internet.

### *Economic factors*

The economic factor is increasingly important in enhancing adaptation. Local markets vary enormously by their disposable income per capita. Therefore, standardising prices would mean that poor countries are likely to have reduced market for jeans.

Different levels of income and changes in income levels will affect both the price that can be charged and the product quality that is appropriate for each local market. Prices for jeans do vary very substantially between markets and such price discrimination may be partly for reasons of income but may also be because of the severity of competition and the inaccessibility of the territory. For example, standard Levi jeans in the UK sells for approximately £46 whilst in certain US states £20 is the norm.

The nature of the promotional campaign will also be affected by the stage of the economic development of the individual country and therefore require a degree of adaptation. Advertisements for jeans in affluent societies are quite sophisticated and rely on the communication of ideas about lifestyle and imagery. By contrast, advertisements in poor countries are more rudimentarily based upon factors such as function and value for money.

Distribution channels may require adaptation in relation to the stage of development of each local market. Advanced countries possess a multiplicity of different retail outlets while choices are likely to be much more constrained in less developed countries.

Therefore the full range of selling patterns employed for advanced markets cannot be deployed in poorer ones. For example in China, department stores only cover 20 per cent of the total market. Therefore, distributing via the traditional market is essential to ensure success.

It is illustrated that global standardisation and international adaptation do take place, and can bring benefits. However, their extreme practice is not necessarily an optimal approach in all markets, nor is it evident that it is taking place for all of the products of the firm, nor necessarily to the same extent across all of the elements of the marketing mix.

International practitioners should search for striking the right AdaptStand balance. This is not a straightforward task, and as identified the balancing act between standardisation and adaptation is very tricky and indeed a challenging one.

### Target markets and positioning strategy

In determining a desirable target market, a variety of factors have to be considered in order to define the characteristics of the chosen market segment.

For the product of jeans it is a question of whether the different characteristics of each market segment allow a standardised approach that implies undifferentiated marketing or whether they are so distinct that they require large-scale adaptation implying a differentiating market approach.

It seems to be the case that jeans are uniformly aimed at the youth of the age of 16-20 regardless of country of destination, yet differences still exist in the positioning of their appeal (Lehone, 1995).

For example, in America and much of Europe, the emphasis is on jeans as casual attire as encapsulated in the freedom of the open road personified through James Dean within an atmosphere of North American Eldorado. Similarly an Indonesian commercial shows Levi clad teenagers cruising around Iowa in 1960s convertibles (Czinkota *et al.*, 1995).

By contrast in Russia where jeans are in short supply, their wearing indicates to society fashion awareness and high status (Jeannet *et al.*, 1998). Similarly, in Spain, the high price of jeans singles them out as fashion items as opposed to casual dress. Levi's world wide positioning is illustrated in the positioning grid seen at Figure 2.

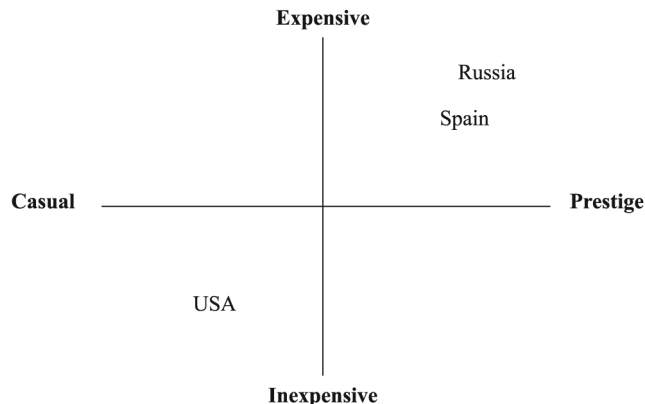


Figure 2.  
Positioning grid



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The various factors that define the nature of different markets include socio-economic and demographic variables such as age and sex which in the jeans market are unifying and standardising influences. Such variables, with regard to jeans, allow an undifferentiated approach to marketing the product.

However, other factors such as culture, religion, geographic and climatic conditions act as divisive influences, which necessitate an adaptation of the target market, image and positioning of the product.

Thus, an element of both standardisation and adaptation are apparent necessitating the identification and implementation of the right balance of the Vrontis' AdaptStand level of integration.

### **Global marketing strategy**

A global standardisation marketing approach is difficult to achieve. That has already been established from our earlier consideration of the need for adaptation in the marketing mix. Further evidence for this can be found in the various theoretical models used to analyse marketing strategy.

It is already well established that the product life cycle of a product can only be conceptualised within a specific national market. This is because products do not always occupy the same stage in the life cycle between different countries. Jeans are by common consent, in the mature stage in America but in their growth phase in eastern countries. Hence, this could imply the need for the adoption of different marketing strategies for different countries.

Similarly, the matrix used by the Boston Consulting Group implies that the different categories used to describe a company's product cannot be applied across national boundaries. This is because both "relative markets share" and the "growth of the market" will vary very considerably between countries. For example, for countries that differ in their stage of development, a growth market in one country may constitute a very mature and saturated market in another. A product that falls into the star category in a less developed country may be regarded as a cash cow in a more advanced country.

### **Conclusion**

On the spectrum of standardisation versus adaptation (Figure 1), a positioning closer to the globalisation polarity appears to be appropriate for Levi Strauss.

It can be seen that there is a global market for jeans and capitalising on their market maximises the ability of Levi Strauss to benefit from economies of scale, global uniformity and consistency with the mobile consumer. A global strategic and tactical approach therefore enables Levi Strauss to maximise competitive advantage across the world market.

However, a complete degree of standardisation is impossible to achieve in the market for jeans. While the target market is similar throughout the world, market positioning and the elements of the marketing mix have to be adjusted in line with a variety of organisational and macro and micro environmental factors.

The aim should be to obtain AdaptStandation; that is an appropriate balance between maximising the gains of standardisation and competitive advantage and maximising market share through adequate adaptation to local market conditions.

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