Localized Advertising Strategy of Multinational Corporations in Chinese Market
A Study on Chinese-oriented Advertising Strategy of Procter & Gamble
Yuxin Song¹,*

¹ College of Foreign Languages and Literature, Fudan University, Shanghai, 200082, China
* Email: 19300120071@fudan.edu.cn

ABSTRACT
With the development of economic globalization and the Chinese economy, it has become an inevitable trend for multinational companies to explore the Chinese market. During this process, multinational enterprises will unavoidably encounter the challenge of cross-cultural communication. In such circumstances, localization strategy has become an essential means for multinational corporations seeking to achieve globalization, and Procter & Gamble (P&G) has excelled in this area. Therefore, the purpose of this paper was to study how multinational corporations, such as P&G, used localized advertising strategies to develop the Chinese market. Based on a review of previous related literature, this study demonstrated that localized advertising has a positive effect on consumers’ purchase intention. Following that, a SWOT analysis was used to undertake a case study of P&G's China-oriented advertising strategy. Finally, it came to the conclusion that multinational companies should adopt a Chinese-oriented advertising strategy guided by a unified brand concept that combines Chinese cultural characteristics with product features in terms of advertising positioning, marketing campaigns, and medium placement. This provided multinational corporations with valuable and practical experience in developing the Chinese market.

Keywords: P&G, Chinese market, Localized advertising, Consumer purchase intention

1. INTRODUCTION
1.1. Background
Under the background of economic globalization, the world is becoming closely interconnected as a whole, and the resulting increased transnational transactions have become a major engine of economic growth in most countries. Especially in the 21st century, with the rapid development of China's economy and overall national strength, the Chinese market has proved its incredible investment potential, encouraging tremendous multinational corporations to enter the Chinese market. For six years in a row since 1993, China has been the world’s second-largest foreign investment importing country [1]. And according to the most recent data from China’s Ministry of Commerce, China's actual usage of foreign investment in 2021 was 114.96 billion yuan, up 14.9% year on year, setting a new growth rate record [2]. All these statistics and rankings suggest that for multinational corporations seeking to attain a worldwide footprint, exploring the Chinese market has become an inevitable trend.

From the perspective of the global market, multinational enterprises will unavoidably encounter the difficulty of cross-cultural communication while investigating abroad markets. Especially for China, compared to other countries or regions, the Chinese market has unique characteristics ranging from economic, political and cultural aspects to market environment and consumer habits, which pose numerous challenges to many international companies in the process of brand localization. Take the New Year-specific packaging designed by many big brands on the occasion of the Chinese New Year as an example. Most of them are just rigidly piled up with Chinese elements, which is not only unappealing to Chinese consumers, but rather provokes their resentment.

Under the background of such economic changes and market particularities, localization strategy has become
an essential means for multinational corporations to achieve globalization. Only by adopting marketing strategies that are more in line with the characteristics of the Chinese market, can international companies truly win the hearts of Chinese consumers and flourish in the Chinese market. Therefore, how to use localized advertising methods to promote the Chinese market becomes an urgent dilemma for large global corporations to tackle.

1.2. Previous Research about P&G

Procter & Gamble (P&G) is one of the world's largest consumer products companies, with operations in over 70 countries and regions serving more than 5 billion people [3]. Many academic research and discussions on P&G have been conducted in the past, covering a wide range of topics.

In 2006, Saouter and Andreasen took the Science-in-the-Box developed by Procter & Gamble as their research object, to discuss how the consumer products company could better convey key environmental performance and safety information to the public [4]. Kumar and three other researchers co-authored a report in 2009, providing Marketing-Mix advice for managing P&G at Asia-Pacific [5]. In 2014, Moran and others revisited the practitioner-led "Moments of Truth" model used by several successful multinationals, to analyze how "Search" and "E-Word of Mouth" can influence on consumers’ purchase intention [6].

In addition, P&G's new operating model of open innovation has been a hot topic of research as well. In 2015, Ozkan systematically described the open innovation concept in the example of P&G, as well as reasons for the necessity of such an innovation [7]. In the same year, Agafitei and Avasilcai also conducted research around the same topic in form of a case study on open innovation of P&G, which was separated into two parts: Innovation strategy over years taken by P&G and the Co-creation and digital involvement during the process of open innovation [8,9]. Han and others took more quantitative approaches to analyze this topic in 2019, meeting the needs identified in the preceding literature[10].

Through a review of top management team speeches at P&G over 15 years, Maclean and others discuss how the construction and communication of innovation narratives could reduce tensions and enhance organizational ambidexterity in2021 [11]. They previously released related research articles in 2014, 2015, and 2018 in the same research field.

1.3. Research Gap

Despite the fact that there has been a wealth of previous research on P&G, there are still some areas where research is still inadequate. In terms of the scope of research, most studies mainly focus on P&G's general plans at a macro level, but few analyze the specific strategies adopted by P&G for a specific market. In terms of research topics, however, there is relatively little research on P&G's advertising strategy, particularly the discussion of the relationship between localization and standardization in advertising, which is the major sticking point for many global corporations in today's current economic climate. Furthermore, advertising is an important part of brand management, as it is closely related to brand image and profitability. Adopting a suitable advertising strategy for the local market, especially in new markets, can effectively improve brand awareness and build close emotional ties with local consumers, laying a solid foundation for future operations.

Therefore, this paper mainly focuses on how multinational corporations exploit the Chinese market through localized advertising, taking P&G as an example. The first section of this paper will review and discuss previous studies related to this research topic. Based on the theoretical foundation, the SWOT method will be used to analyze P&G's concrete advertising strategies in China, so as to draw the successful experience of P&G's Chinese-oriented advertising, as well as analyze its current flaws and space for improvement, which can be instructive for other multinational corporations looking to better adopt localized marketing strategies in China.

2. LITERATURE REVIEW

2.1. Localized Advertising

2.1.1. Definition

Localized advertising strategy refers to the adoption of appropriate advertising strategies targeted in different markets to meet the particular demands and preferences of local consumers [12]. Because there are significant disparities between different countries and regions in terms of economic development phases, policies and laws, history and culture, this leads to great differences in consumer needs, consumer preferences and business culture in different markets. As a result, multinational companies need to adjust their marketing strategies accordingly, particularly their advertising strategy, to satisfy the needs of consumers in the target market, which in this paper mainly refers to the Chinese market.

2.1.2. Development History

As a business strategy, localization was widely used by many multinational companies in the 20th century. Some international companies founded in the early 20th century, such as Motorola and Unilever, have already adopted such localized strategies at that time. However,
as an academic marketing theory, the theoretical research related to localization originated in the late 1960s. In 1968, Buzzell pointed out the differences in national customs and the different product standards in each country due to national customs, which required attention to product localization strategies [13].

After the 1980s, localization strategies attracted a lot of attention from the academic community. Since Theodore Levitt first systematically studied localization in his book "The Globalization of Markets" in 1983, the field of localization research has evolved significantly [14]. Many scholars have analyzed the effect and value of localization from different perspectives based on a large number of cases, which has greatly enriched the theoretical system of localization. Theodore Levitt considered localization from the aspect of human resource management [15]. Philip Kotler started to discuss the development of localization from the perspective of marketing [16]. Yoram Wind and Susan combined marketing and localization theories to form a systematic theory of localization in marketing [17].

In the 1990s, scholars represented by Poter et al. jointly published two papers, "Consumers' Evaluation of Localization" and "The Impact of Localization Continuity Introduction", which promoted the American Marketing Association (AMA) to pay more attention to the research of localization theory, thereby introducing an important stage of research in this field [18].

2.1.3. Important Discussion Issue

Tracing the relevant literature, it can be seen that there is a wide range of research on localization, but the most important topic is the research on the relationship between localization and standardization. Theorists who advocate the standardized approach argued that a global standardization strategy can enable multinational companies to form a unified brand image and achieve simplification of organization structure while reducing advertising costs [14, 19].

On the other hand, those who advocate for localized approach claim that consumers differ from country to country and must be addressed through advertising and other types of promotion that are adapted to their particular cultural needs. Roostal indicated that standardizing advertising throughout Europe would be difficult, with diverse regulations, varying media availability, and distinct language and culture in different nations [20]. Whitelock gave a viewpoint from the standpoint of competitiveness. He claims that aiming to reduce costs through global standardization measures will only lead to competitors decreasing prices as well, resulting in price wars between companies and a negative influence on the market environment [21].

Kanso pointed out that diverse cultural factors such as national norms and acceptance psychology influence how people evaluate things, necessitating advertisers to use different advertising strategies [22].

2.2.Consumer Purchase Intention

2.2.1. Definition and Development

Consumer purchase intention is a psychological activity in which consumers have a positive attitude or desire to buy a specific product or service [23]. Eagly and Chaiken defined purchasing intention as a psychological motive, while buyers deliberately plan and design the activity before engaging in it [24]. Mullet stated that purchase intention is the likelihood that people will choose the product after a comprehensive evaluation under the influence of various conditions [25]. In 1991, Dodds combines previous studies and points out that purchase intention refers to the subjective awareness of consumers in the process of purchasing and making the final decision [26].

In addition, previous studies have proven that there is a strong relationship between purchase intention and shopping behavior, and that a higher purchase intention corresponds to more purchasing possibilities. Therefore, if companies can understand their customers’ psychology and intention to buy, they can adopt appropriate strategies to motivate consumers to purchase their products.

2.2.2. Influencing Factors

The consumer purchase intention is influenced by cultural factors, brand awareness and personal factors [27].

Culture is the broadest and the most fundamental determinant of a person's desires and behavior. Culture refers to the complexity of learning meanings, values, norms, and customs shared by members of a common society. For example, a child growing up in the United States is exposed to values such as efficiency, practicality, individualism, and freedom. While a child growing up in another country might have a totally different view. Many research studies have shown that culture has a major impact on almost every aspect of purchasing: it impacts basic psychological domains such as self-identity and motivation, as well as how people understand the message conveyed by advertising.

Brand Awareness is the extent to which a brand is recognized by potential customers. Consumers decide to buy a product usually because of the familiarity and reliability of the brand. Therefore, establishing a brand that can be easily remembered by customers will help expand the brand into new markets and be more competitive with other similar businesses. As a result, in the early months or years after launching products to a new market, the primary goal of advertising is to raise brand awareness.
In addition to above all, purchase intention is also influenced by some personal factors, including age and stage in the life cycle, occupation and economic circumstances, personality and self-concept, lifestyle, values and so on. Marketers should pay special attention to these factors because many of them have a direct impact on consumer behavior.

2.3. The Influence of Localized Advertising on Consumer Purchase Intention

2.3.1. Cultural Aspect

Advertisements in a particular country tend to have some common features, which usually only appeal to a specific audience, which in most cases is local consumers. For example, American-style humor might not appeal to Asian audiences. Research has indicated that between localized and standardized versions of advertisements, there is a significant difference in consumers’ attitudes toward the advertisement and brand and consumers’ purchase intention. In general, host market consumers are likely to prefer locally produced advertising to international commercials and find the former more interesting and less irritating. That’s the reason why most commercials usually feature local celebrities, music or symbols [28]. From the cultural perspective, it is logical that local consumers understand more easily the values expressed in the advertising messages than those reflected in foreign-sourced commercials.

2.3.2. Brand Awareness

Specifically, if the brand was new or less familiar to local customers, localized advertising will be favorably viewed. If the brand is already well-known and familiar, standardized advertising is likely to be well-received.

That is mainly because the purpose of advertisements for mature brands is to remind and reinforce rather than to introduce the product benefits and raise brand awareness, the transfer of such global advertising across borders is possible. On the other hand, as consumers are less familiar with newer and less-known brands, advertising for these brands has to be more creative and more culturally compatible in each market than for mature brands. Gaining brand familiarity is the essential purpose for advertising less well-known brands, which are more likely to require a localized approach in host markets.

3. METHOD

3.1. Research Design

This paper mainly adopts a qualitative research method that combines both theoretical research and case studies. This study takes P&G's localized advertising strategy in the Chinese market as the main research object and adopts the SWOT analysis to analyze it, which can not only clearly reflect the internal strengths and weaknesses of the company, but also show the opportunities and threats of the external environment, so as to guide the adjustment of the company's advertising and marketing strategy, bringing the company's strengths into play to overcome its weaknesses, and using the opportunities to reduce the possibility of threats.

On the one hand, such a dialectical qualitative analysis method that combines theory and practice can provide an objective and comprehensive understanding of the situation of P&G's advertising strategies in China from multiple perspectives, both internal and external, pros and cons. On the other hand, the individual example of P&G can represent the general situation of multinational companies in China. Therefore, some general lessons can be drawn from the P&G’s cases.

3.2. Procter & Gamble

Procter & Gamble, founded in 1837, is one of the world’s largest consumer goods companies. Today, P&G has invested and set up factories in more than 80 countries and regions around the world, operating and selling more than 300 brands of products to over 160 countries and regions. The ultimate goal of P&G's marketing strategy is to achieve brand and marketing internationalization. This strategic aim requires P&G to adapt to the differentiated needs of target consumers in various markets and maximize the integration of internationalization and localization [29]. This integrated marketing concept is particularly evident in P&G’s China-oriented marketing strategy and has achieved remarkable results.

3.2.1. Development History

P&G's history began in 1837 in Cincinnati, USA, as a small workshop producing candles and soap. In 1878, P&G launched Ivory soap in the United States, a product that made P&G realize the importance of marketing and product innovation, both of which became the keys to P&G’s future global success. Since the end of the 19th century, P&G has continuously improved its brand management system, and by 1931, the brand management of P&G had become institutionalized and formalized. P&G began using a new communication medium, radio broadcasting, for its advertising campaigns in 1923. P&G has moved towards internationalization and diversification since 1945, and established a global research and development network.

In the 1980s, Procter & Gamble encountered great challenges, which not only came from internal management but also from external competition. After the resignation of the then-CEO and Chairman of P&G because of great pressure, Alan took over and introduced
a series of new management policies, which enabled P&G to emerge from the crisis and get back on track. Since then, P&G has continued to expand its production scale and scope of operations, and operating income has maintained an upward trend. According to the company's 2012 Annual Report, P&G's global sales revenue exceeded $83 billion in 2012, an increase of $2 billion over the previous year.

3.2.2. P&G in China

Before setting foot in China, P&G has undertaken a two-year consumer survey to develop a strategy that targets Chinese consumers based on their acceptance of advertisements. Then in 1988, P&G established its first subsidiary in Guangzhou, which can be regarded as the starting point of P&G's Chinese localization journey. After more than three decades of development, P&G has achieved excellent performance in China. With a consumer base of over one billion people, it is the largest consumer products corporation in China. The majority of the P&G brands that have been introduced to the Chinese market occupy leading positions in their respective categories.

These impressive achievements of P&G in China are closely related to its in-depth understanding of Chinese consumers and the adoption of corresponding localization strategies. In the "2012 Localization Index of Multinational Corporations" issued by "Chinese Entrepreneur" magazine, P&G is ranked second in terms of the degree of localization in various fields [30]. Over the past 30 years, P&G has invested more than $1.5 billion in China and plans to invest another $1 billion in China in the coming years, which demonstrates the company’s determination to deepen its localization in China [31].

3.3. SWOT Analysis

3.3.1. Strengths

P&G is one of the companies with the largest number of brands in the world. Therefore, in order to avoid competition among different brands inside the company, the brand positioning has to be differentiated. Correspondingly, the positioning of advertising of each brand also needs to be differentiated. Almost every P&G brand appears as an independent image. Take P&G's shampoo brands as an example. The personality of Head & Shoulders lies in the anti-dandruff function; Rejoice focuses on the smoothness of the hair; Pantene emphasizes providing nutrition to the hair; Vidal Sassoon gives the impression of a salon-level expert; Icarus wins in the composition of natural plants and herbal extracts. P&G's advertising segmentation has adapted to the various needs of different target markets, avoiding competition between brands within the company and achieving good market coverage.

In addition to the high frequency, the types of P&G advertising media are also diversified. In order to cater to Chinese people's online consumption habits, P&G has created or registered its own official website, WeChat public account, micro-blog etc., using these online platforms to draw closer to Chinese consumers. And there is also a lot of utilization of Chinese elements in these platforms. In particular, reports about its contribution and donation to help China fight COVID 19 have taken up a significant amount of space, which fully reflects P&G's concern for Chinese society and successfully portrays an excellent corporate image.

For many years, P&G has implemented event marketing to promote its brands in the Chinese market based on the unique characteristics of each brand. The table below shows some of P&G's representative event marketing campaigns. As can be seen from the table, P&G's event marketing designed for different brands not only accurately targeted the corresponding brand's feature, implementing the concept and core values that brand wants to express, but also well matched the brand's characteristics and concept to the need of the target consumers.

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
<th>Brand</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989/5</td>
<td>Guangzhou</td>
<td>OLAY</td>
<td>Distributing free samples of OLAY to all 800,000 women through the Guangzhou Federation of Trade Unions.</td>
</tr>
<tr>
<td>1994-1999</td>
<td>Nationwide</td>
<td>Rejoice</td>
<td>Conducting the national Rejoice Star Contest for 6 consecutive years.</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
<th>Organization</th>
<th>Activity Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000/9/19</td>
<td>Jiangsu</td>
<td>Runyan</td>
<td>Establishing Runyan Media Club and organizing the first media member event.</td>
</tr>
<tr>
<td>2001/5/12</td>
<td>Beijing</td>
<td>P&amp;G</td>
<td>As a partner of the Beijing Olympic bid committee, organizing long-distance running event with the theme of the bid for the Olympic Games.</td>
</tr>
<tr>
<td>2001/6</td>
<td>Beijing, Shanghai, Guangzhou</td>
<td>OLAY</td>
<td>Non-profit offering professional skincare services to consumers.</td>
</tr>
<tr>
<td>2003/9</td>
<td>Beijing, Shanghai, Guangzhou, Chengdu</td>
<td>Crest</td>
<td>Holding oral health promotion campaign to provide free services to 400,000 people in a year.</td>
</tr>
<tr>
<td>2003/10/28</td>
<td>Beijing</td>
<td>P&amp;G</td>
<td>Donating 4 million RMB to Chinese Project Hope</td>
</tr>
<tr>
<td>2008</td>
<td>Sichuan</td>
<td>P&amp;G</td>
<td>Assisting in earthquake relief work in Sichuan Province, donating a total of RMB 53 million in cash and P&amp;G products to people in the disaster area.</td>
</tr>
<tr>
<td>2009/6/26</td>
<td>Aba prefecture of Sichuan Province</td>
<td>OLAY</td>
<td>Donating 1.97 million RMB worth of OLAY skin care and body wash products to Tibetan and Qiang women in Aba Prefecture, Sichuan Province through Jet Li's charity foundation.</td>
</tr>
<tr>
<td>2010/8/21</td>
<td>Gansu</td>
<td>P&amp;G</td>
<td>Building P&amp;G’s 200th Hope Primary School in China.</td>
</tr>
</tbody>
</table>

3.3.2. Weaknesses

The completely localized advertising conflicts with the global unified image pursued by multinational companies. The gap of distance and thoughts between customers in various nations is constantly narrowing, thanks to modern advertising media and the highly developed transportation industry, and more and more people around the world display the same or similar cultural interests. Familiarity with international brands has become a commonality among consumers all over the world. Adopting different advertising techniques in different markets may blur the global image of multinational brands and is not conducive to the formation of the brand’s own unique cultural connotation.

Moreover, P&G’s localized advertising strategy is also not conducive to saving the cost of advertising production and promotion. As mentioned above, P&G adopts a multi-brand strategy, while at the same time also hoping to achieve high advertising frequency for each brand. As a result, its high advertising cost is understandable. The high advertising costs are inevitably spread to the sales price of the product, which will also have a negative impact on the market competitiveness of the product.

3.3.3. Threats

In recent years, with the development of China's economy, various top global companies have been pouring into the Chinese market. Coupled with the growth of Chinese local companies, the competition in the Chinese consumer products market has intensified. P&G's share in the market has been continuously eroded, and its profit space has been compressed.

Furthermore, with the development of the economy and the improvement of people's living standards, people's requirements for products and companies are getting higher and higher. Especially after entering the Z era, young consumers have become the main force in the market, who also put forward new requirements to P&G. Unlike the past old days, when P&G was accustomed to low cost and large scale in order to meet the needs of most people, it is now difficult for P&G to satisfy the personalized needs of today's consumers. Moreover, with the popularity of the Internet and other forms of media, traditional promotion methods can no longer effectively attract consumers attention. All of the above require this 180-year-old company urgently to change its traditional image and adopt a rejuvenation strategy.
3.3.4. Opportunities

Thanks to the rapid development of the Internet and entertainment industry, the fan economy has flourished in China in recent years and become a new consumption pattern. It refers to a series of economic behaviors and industrial chains that are generated in the process of following stars. P&G can take advantage of this new consumption trend by focusing its advertising efforts on celebrities or famous IPs, thus taking advantage of fans' psychology to transform their love for celebrities or IPs into their identification with the brand and maximize their own benefits. At the same time, it can also achieve the purpose of brand rejuvenation and transformation into youth, by partnering with popular IPs and celebrities.

4. RESULT AND DISCUSSION

When exploring the Chinese market, international corporations should adopt a localized strategy in all parts of advertising. Just like P&G, it has tailored every aspect of its advertising strategy to the various cultural characteristics of the Chinese market, including differentiated advertising positioning, marketing campaigns that combine brand characteristics and consumer preferences, and high-frequency and diverse media placement, resulting in impressive and appealing promotion effects. However, this localized advertising strategy also has its drawbacks, such as a lack of a consistent corporate image and excessive advertising expenses. While after entering the Z era, P&G faces both chances and challenges that are brought by the new consumption trend of younger consumers.

The case study of P&G can offer some useful suggestions to global companies looking to enter the Chinese market:

1. Clear positioning of advertising

Multinational companies' advertisements should be targeted based on China's national conditions and consumer culture, and through differentiated advertising positioning, each brand should have unique selling points, which should then be designed as a key point into advertisements, so that the unique brand concept can deeply be rooted in people's hearts.

2. Integrate Chinese elements in the advertising

China's long-standing traditional culture provides a wealth of cultural elements from which multinational businesses can create commercials. To make their image more localized and be favored more by local consumers, they should add Chinese cultural elements to the process of publicity, such as brand name, advertising content, media design and aim to express distinctive national culture in commercials. Such advertising can arouse consumers' psychological identification with the brand, which then affects them emotionally and leads to purchase behavior.

3. Recognize the new consumption trend

Multinational companies should be good at recognizing the new popular trends and consumption patterns in the market. The burgeoning Internet business and fan economy provide new marketing chances for international corporations, and utilizing promotion strategies that cater to the new trend can achieve twice the results with half the efforts.

5. CONCLUSION

In conclusion, this paper investigates the advertising strategy of P&G in the context of economic globalization and expanding cross-border trade, as an example of how multinational companies should use localized advertising to promote the Chinese market. Based on a review of past theories concerning localized advertising and consumers' purchase intention, this study employs the SWOT method to analyze the advantages and weaknesses, opportunities and threats of P&G's advertising strategy in China.

The innovation of this research is that it narrows the research field to a specific market and combines the new economic situation and consumption trends, making the discussion more relevant and realistic, while also filling the gap left by previous studies that are theoretical analysis only from the macro perspective.

This paper, on the other hand, lacks significant data from recent years as support and mainly undertakes qualitative analysis; also, there are few summaries of domestic literature, resulting in a lack of in-depth research on P&G's brand development strategy, which should continue to be studied in the future.

REFERENCES


