

Differentiating Localization-Based Marketing Strategy in Emerging Markets: The Case of Domino's Pizza in Malaysia and India

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Abstract

This paper is aimed at understanding the differences in marketing strategy implementation based on localization strategy by the Domino's in two emerging markets by focusing on 4Ps marketing mix approach. Two emerging markets namely Malaysia and India have been chosen for the analysis in this study. Using comparative analysis, this study focused on 4P components of marketing mix which is based on product, price, place, and promotion analysis. The study found that the Domino's has adopted different characteristics of its 4Ps in differentiating their international marketing mix based on localization approach.

Keywords: Differentiation, localization strategy, marketing strategy, emerging market, Malaysia, India.

Marketing Mix

Marketing is amongst the most significant tools designed for a company to make contact with its target audience. Armstrong and Kotler (2011), contend that today's marketing is understood as being a tool to fulfill customer's needs. Accordingly, organizations make use of the functions along with the available marketing tools in order to solidify their position and increase their brand and brand image inside the markets they operate in. Consequently, the achievement of the firm depends so much on the success of marketing mix implementation.

According to Yeu, et al. (2012), the concept of the marketing mix and the 4Ps product, price, place and promotion entered into academic discussion around 1960s. The marketing mix as stated by Gronroos (1994), built from a concept of marketer as a "mixer of ingredients" that plans various competitive strategies and combines them into a "marketing mix". Marketing mix is the strategy that consists of those dimensions that able to attract and influence customers to buy the products or services. These dimensions of marketing mix vary each firm and depend on organization goal and objectives. Each firm is competing in developing successful marketing strategy as it brings greater advantages in customer satisfaction and profitability to firm.

According to Terpstra and Sarathy (2000), the cultural elements have a direct influence of marketing strategy, and also the organization that fails to consider them carefully will face failures in the market. Organizations need to study carefully the culture of the markets they are operating in and define the elements that might affect their performance in these markets.

International Franchising and Domino's Pizza

International franchising is one of the most popular firm entry's strategies into global marketplace. Franchising is well known among services especially on fast food chain industry like McDonald's, Kentucky Fried Chicken (KFC), and Pizza Hut. Most of the giant fast food company like McDonald's and KFC choose franchising as their business strategy due to its attractiveness. Franchising allows firms to expand their market and practices easily with low barriers. Indeed, franchising helps small medium enterprises (SME) to open and operates business effectively. Apart from that, international franchising activities increasing aggressively and becomes widely used by firms as their business approach.

Domino's Pizza is one of the big names in fast food sector that ventures into international franchising. Domino's Pizza first started to expand their business by opening up at new market outside United States in 1983 at Winnipeg, Canada. Since then, Domino's Pizza has a strong presence in global marketplace by increasingly expanded their business operations in more than 70 international market (Dominosbiz, 2014). The success of international franchising strategy adopting by Domino's Pizza is a result from the good management and alliance between its international franchisee as well as good business systems along with their objectives in become the most successful delivery and pizza maker in the world.

History of Domino's Pizza

Domino's pizza was established at the year 1960 when Tom Monaghan and James Monaghan bought "DomiNick's". It was located at Ypsilanti, Michigan near the north of the United States where it used to be a pizza home delivery store. However, James Monaghan sold half of his proportion of the business to Tom Monaghan in 1965. As sole owner Tom change the business names into Domino's Pizza Inc. In 1978, there were more than 200 Domino's Pizza store were launched. Domino's Pizza is eager to expand their business around the globe. A few years later at 1989 Domino's has extended over 5,000 pizza restaurant worldwide. During 1996, Domino's Pizza has moving forward by introductions its web site with domain name 'www.dominos.com' and spreads highest sales nearly \$2.8 billion. Domino's Pizza, Inc, activates in trading common stock on the New York Stock Exchange (NYSE) on 2004 as the acknowledged world leader in pizza delivery.

Furthermore, Domino's is ranked in the top ten in annual listing of great franchise opportunities in the Entrepreneur magazines. Domino's Pizza are celebrated its 50th anniversary and the opening of its 9,000 store worldwide in 2010. Domino's is recognized as the world's leading pizza delivery company dedicated to outstanding the industry in product eminence and operational superiority. (Domino's Malaysia, 2014b).

Tom Monaghan, the founder of Domino's Pizza has launched its branch in Malaysia officially in September 1997. With Domino's assurance of serving quality food and delivery service was highly accepted and grew new customers in Malaysia. Moreover, it is also motivated by Malaysia's bullish food and beverage industry.

As the first quarter in 2014, there were nearly one hundred and eleven stores operating all over Malaysia, with sixty two in the Klang Valley, thirteen stores in Johor. Next, there are eight stores in Perak, nine in Pulau Pinang, six other branches in Negeri Sembilan, five in Kedah. While, there are there branches in both Melaka and Pahang. Lastly, there were only one branch in Perlis and Kelantan (Domino's Malaysia, 2014a).

According to Bernama News Agency, the Domino's Pizza International Executive Vice-President, Richard E. Allison, believed that Malaysia is currently placed as the best five growing marketplace for Domino's Pizza globally. Allison also mentions that they are persisting very optimistic on the Malaysian marketplace (The Malaysian Times, 2012). In Malaysia and Singapore the management will have the full commitment from Domino's Pizza International. Therefore with the vigorous progress in Malaysia, Domino's is planning to take extended its existence to near nation next to Malaysia that is Singapore (The Malaysian Times, 2012).

In 1996, Domino's Pizza expanded their business operation in India and opened their first outlet in New Delhi. With the existing large market in India, Domino's Pizza India had become the 3rd world's largest market after United States and United Kingdom. In October 2013, there are 650 outlets of Domino's Pizza operated in India. The number is expected to grow bigger with the large market in the future. According to Domino's CEO, Patrick Doyle, the success of Domino's Pizza in changed the menu and recipe tailored with the local taste and these had create phenomenon not only in India but even in United Kingdom when some of its menus like paneer pizza are get higher demand from United Kingdom customers (Mitra, 2013).

Domino's Pizza Marketing Mix

According to Kotler and Armstrong (2013), the system of business actions such as planning, pricing, promoting, and distributing the product to markets (customers) in achieving the organizational goals is called as marketing. And this kind of business activities was also known as a marketing mix which consists all the important things that the company should do to control the demand of customers' needs and preferences when looking for the products. In this variables group, we can see many potentials are being made. Thus, the manager must be assured all the balance between these kinds of variables is maintained (Hannagan, 2008).

Product

According to Ferrell (2005), the heart and the core of the marketing mix was product itself. We as a retailer can offer the customers on how to differentiate our products from competitors by showing them the attributes of symbolic and experiential of the products. For Domino's pizza product, besides using the fresh and quality raw materials, there is no frozen ingredients used when making the pizza. Thus, it is such a special product by creating the unique pizza box in keeping the pizza hot even after the customers receive the pizza. Both of these strengths that develop by Domino's is the first competitive advantage of this company. Moreover, the brand name of

Domino's had built the meaning of fresh, quality product and good service in the customers perception and variety of menu items also had been offered such as whole wheat crust options, which are not offer by the other competitors like Pizza Hut (Ferrell, 2005).

Price

According to Kotler and Keller (2006), many business firms tend to opposed large mark up in price and small volume for specialty stores or opposed small mark up in price and large volume for discount stores. Domino's pizza is good in handling the price strategy by offering the deals and promotions. For example if the customer orders for a second pizza, it will come on 50% discount and the delivery will be free. Coupons are also one of the tools that being use by the Dominos to lowering their product price so that Dominos will create more desirable pizza for the customers (Kotler and Keller, 2006).

Place

Another name for place is also call as distribution. According to Bowersox and Closs (1996), place is the third element of the marketing mix and all decision and tools that are needed in making the product and services available to attract the customer was encompasses in this point. Referring to what have been said by Bowersox and Closs (1996), merchant houses, open market, institutional houses and direct delivery is one of common platform as a place. The branch of Domino's pizza will be located at the place that familiar to the society and easy to see by the people. For example, the area that is very busy with lot of traffic and people are passing around along that way. Moreover, the location of the branch also was a good and strategic place for deliveries because that is the top priority services being offered to the customers. Plus, in every single branch of Domino's pizza provided a special design facilities for their customers while waiting the order (Bowersox and Closs, 1996).

Promotion

According to Johnson, Scholes and Whittington (2007), the term of promotion can be seen or can be valued as a way closing the information gap between would-be sellers and would-be buyers. Website is one of the biggest promotion tools that had been use by Dominos when develop the strategy of promotion. For example, 50% promotion will be given for every second order of Domino's pizza, plus with a free delivery to customers. Furthermore, another promotion of Dominos is like Family Fun Pack which for a family's celebrations. All this kind of promotion offered by Dominos can encourage the customer's satisfaction toward having meals in Dominos (Johnson, Scholes, and Whittington, 2007).

Comparing Marketing Mix Strategy between Malaysia and India

In this highly competitive environment where most of the business firms going global and become highly competitive, like Domino's Pizza in order to maintain and extended their strong presence in global marketplace, firms must standardized their business system and strategy across the nations. However, some adaptation and changes are needed due to several factors in order to capture and suit with local market. Therefore, different strategies might be varied for different market

especially where dealing with greater pressure of local responsiveness. Table 1 shows summary of Domino's Pizza marketing mix in Malaysia and India.

Table 1: Summary of Domino's Pizza marketing mix comparison in Malaysia and India

Marketing Mix	Malaysia	India
Product & Service	<ul style="list-style-type: none"> ▪ Preference and culture - All kind of ingredient except not for Pork or Non-Halal ingredient. ▪ Taste - No specific taste as all citizen in Malaysia are from different race and background. There are several taste and flavor in Malaysian market. ▪ Product - To meet with the local content, Domino's pizza has changed a few pizza names into local, such as Sambal Surf and Turf, Tropical Sambal Prawn and others. 	<ul style="list-style-type: none"> ▪ Preference and culture – All kind of ingredient but neither beef nor pork. ▪ Taste – “The Indian palate is very definitive”. Food tastes vary from region to region – prefer spicy, for example Spicy Paneer. ▪ Product – To capture with local market, Domino's Pizza has localize the flavors such as Chicken Chettinad, Chicken Pudina, Chatpata Chana Masala and others. ▪ Offers wide variety of vegetarian menus
Price	<ul style="list-style-type: none"> ▪ For the Price of Domino's Pizza in Malaysia, the entire prices are standard all over the nation. ▪ The pizza price also been drove by the promotion or deal they made this is differ according to the situation. 	<ul style="list-style-type: none"> ▪ Implemented a "barbell" pricing strategy - looking to attract more value on focused consumers. ▪ The price are varied across region –northern, southern and etc.
Place	<ul style="list-style-type: none"> ▪ For the location of the outlet, they have targeted to open their branches at the big cities and high population area. ▪ For example at the Northern area, all the branches are located at the capital cities such as Kangar and Alor Setar. ▪ Most of the branch also located in different building while others operate in the area at the shopping complex. 	<ul style="list-style-type: none"> ▪ For the location of the outlet, Domino's Pizza focused on convenient for their customers and staffs. ▪ Domino's pizza India prefer for nontraditional outlet – offices, public area and university.
Promotion	<ul style="list-style-type: none"> ▪ Domino's also offers many discount coupons to attract customers. ▪ For the promotion, they have use all the sources of promotion tools. ▪ Besides the traditional ways of printed media, Domino's also involve in the new media advertising. ▪ Such as, Facebook, Twitter, Instagram, internet user and mobile phone. 	<ul style="list-style-type: none"> ▪ Offers many discount coupons to customers – every purchased ▪ TV – Hungry Kya? Yeh Hai Rishton Ka Time ▪ BTL campaign as a support medium ▪ Also heavily using printed media such as flyers promotion – for serving customers where low access on online media. ▪ Success in social media – Facebook, twitter, YouTube and Pinterest.

Conclusion

This study found that Domino's Pizza uses different marketing mix strategy implementation based on different localization approach in these two emerging markets: Malaysia and India to capture and suit with the local market. In general, international franchising business like Domino's, tends to have a standard marketing components in their products and services to all customers in all of its operation around the world. But when it comes to different countries where religious and cultural differences and issues are concerned such as Malaysia and India, localization strategy is a good approach to cater with the local customer needs and preferences especially when dealing in food matters. According to Asia Info (2014), although a number of religions exist in India, the two cultures that have influenced Indian cooking and food habits are the Hindus and the Muslim tradition.

Hence, Domino's Pizza marketing mix strategy between Malaysian and Indian market is closely related to customer's differences in culture and religious belief. Domino's is successful in making "localized recipe" to suit with the local tastes and customs. For the first elements of 'P's which is product, Domino's Malaysia uses all kind of ingredient except for pork and non-halal product and same with India due to religious reasons beef and pork are prohibited. Only in India, Domino's offers a wide variety of vegetarian menus and prefer spicy in terms of tastes. Such differences are taken in order to respect with Hindus and Muslims religions. For the pricing strategy, Dominos Malaysia does not using the price discrimination strategy compared to Domino's India due to larger market. Price in Malaysia is standard all over nation while in India, Domino's implemented 'barbell' pricing strategy that looking to attract more value on focused consumer. For place element, Domino's Malaysia prefers location at the big cities and high population area such as Kangar and Alor Star. Most of the branch also located in different building while others operate in the area at the shopping complex, whereas in India they focus on large offices, institutional centers and public area where convenient for their customers and staffs. For promotional strategy, both Domino's Malaysia and India shares similar approaches by offer its customers a number of discounts coupons to attract customers. Besides using traditional ways of promotional strategies such as printed media, Domino's has strong online presence using social media and the internet as its preference.

Recommendation

As for recommendation from this study, franchisors and franchisees need to make a wise and careful decision regarding the marketing strategy. Experts advices and studies need to be conducted before implementing a certain marketing mix components.

With regard to pizza business, Malaysia and India are remained a promising market. Despite some issues, it's believed that the business has been accepted by the Malaysian and Indian people. Moreover with many types of flavors and cozy environment, the customer will love to visit Domino's pizza restaurant. Moreover, Domino's should change it operation style to more serve their customer like their competitor does. This is due, the citizen of Malaysian and Indian view pizza like a foreign business entity where it is an exclusive restaurant from the existed domestic restaurant. If Domino's can change to have served their customer in the restaurant, it will definitely add some value in their business.

The potential long run of this business is extremely bright in the future. Despite the rivalry of the other pizza competitor, the Domino's pizza have it strong base in the pizza business history. With it established brand that are well known in the world, there is no doubt that Domino's pizza will becomes one of the best pizza restaurant in the world. In addition, there are certain items that need to be measured before entering the new foreign market that is the 4Ps. With knowing the 4Ps that are product, place, price and promotion, every business can be succeeding.

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