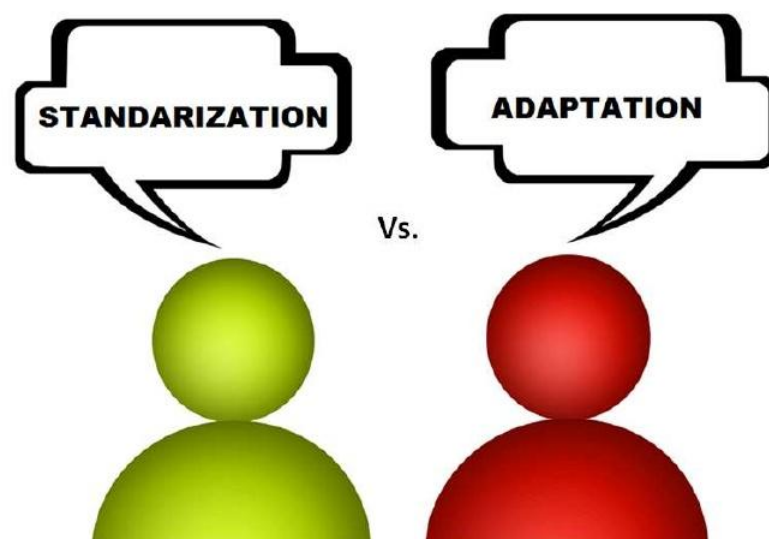


International Marketing

Standardisation vs. Adaptation in International Marketing



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Introduction

Modern businesses are granted with vast opportunities in terms of revenue maximisation through entering new markets. Implementation of international market expansion strategy involves strategic-level decision making in relation to global branding strategies, the choice of market entry strategies such as wholly-owned subsidiaries, exporting, licensing, or forming joint-ventures, as well as, deciding on the level of standardisation or adaptation of products and service in new markets.

Market entry strategies, branding strategies and the levels of standardisation or adaptation of each single element of marketing mix can be rightly specified as critical success factors directly impacting the success of business in the new market.

This essay represents a critical analysis of standardisation vs. adaptation debate within the settings of international marketing in the twenty first century. The essay starts with discussing advantages and disadvantages of standardisation. This is followed by critical analysis of adaptation strategy as an effective customer-orientation strategy by referring to relevant real-life business case studies. The essay is completed by drawing conclusions on standardisation vs. adaptation debate and its relevance to the modern marketplace.

Standardisation as a cost saving strategy

Standardisation involves using “the same range of products, the same pricing, promotional and location strategies” (Gupta and Randhawa, 2008, p.77). Rationale behind standardisation practices relate to homogenisation of consumer wants and needs due to intensifying forces of globalisation (Winer, 2009). Standardisation can focus on core competitive advantage of the brand and it “allows for a consistent and strong brand to be developed across all markets” (Donnelly, 2009, p.150).

A Conceptual Model of International Marketing Strategy in relation to standardisation vs. adaptation has been introduced by Theodosiou and Leonidou (2003). According to the model, the degree of standardisation or adaptation is impacted by antecedent factors which have external and internal characteristics.

External characteristics of antecedent factors consist of environmental factors, market characteristics, customer issues, competition, and product and industry. Internal characteristics of antecedent factors, on the other hand, are limited to organisational and managerial factors.

Organisational factors relate to organisational culture, type of ownership, the degree of international experience and the share of revenue from international markets (Theodosiou and Leonidou, 2003).

Managerial factors impacting the degree of standardisation or adaptation relate to decision-making style in general prevalent in organisation, and decision-making orientation in relation to foreign operations which is divided by Perlmutter (1969) into four categories: ethnocentric, polycentric, regiocentric and geocentric.

Moreover, according to the Conceptual Model of International Marketing Strategy the degree of standardisation or adaptation in new market has direct implication on sales, profits, market share, the levels of customer satisfaction, and composite performance.

When entering new market, decisions need to be taken by strategic level management about the extent of standardisation in relation to each individual component of the marketing mix. Marketing mix can be explained as “the particular combination of marketing variables offered to a market at any point in time” (Cole, 2004, p.xiv), and these marketing variables include product, price, place and promotion. Extended marketing mix also comprises people, process and physical environment along with its four core components mentioned above.

Moreover, Schmidt et. al. (2007) confirm that application of standardisation can offer advantages of economies of scale in buying, and cost advantages associated with replications of store design and marketing techniques. Synergetic positive affects on various business processes and global uniformity of brand value proposition can be listed as additional advantages associated with standardisation.

According to Vrontis et al. (2009), the extent of standardisation in international marketing depends on the following five factors: target market, market position, nature of product, environmental and organisational factors.

Standardisation strategy is used to full extent by many global businesses across wide range of industries such as Adidas, Nike, Coca-Cola Company, Unilever, Johnson & Johnson and others.

Standardisation is mainly a client in relation to industrial types of products because industrial products are purchased from the same reasons all over the world. Moreover, standardisation can prove to be particularly effective for highly sophisticated and complex products from technical viewpoint (Vrontis et al., 2009).

For example, integrated marketing communication processes of a leading consumer electronics company – Apple, are highly standardised and this is partially caused by the fact that its products such as iPhone, iPad and personal computers do satisfy the same types of customer needs t toreardless of the geographical location.

Furthermore, the practice of standardisation in marketing practices also benefits from the concept of “world consumer” (Hallgren et al., 2012), according to which increasing forces of globalisation and role of media, and frequent travelling at the global scale have fuelled harmonisation of values and lifestyles across the borders.

Global image of the brand can be effectively reinforced via the application of standardisation to integrated marketing communication strategy. The slogan of a global sports clothing company Nike, ‘Just Do It’ can be mentioned to justify this argument. This slogan effectively communicates the same marketing message and promotes the same lifestyles in the global scale, and so far Nike has immensely benefited from this strategy in terms of profit maximisation.

High level of effectiveness of monitoring the outcome of marketing communications also contributes to efficiency of standardisation strategy (Chung et al., 2012). In other words, because there are no or minor differences in marketing communication strategy due to the use of standardisation approach, the same set of tools can be utilised to assess the levels of effectiveness of marketing strategy in relation to each geographical market segment with positive implications on the levels of cost effectiveness.

However, standardisation can be associated with certain disadvantages. For example, standardisation is often criticised for neglecting unique aspects of local culture in foreign markets. Unique aspects of local culture may have huge impacts on the perception of each component of the marketing mix in general, and the marketing message in particular.

This argument can be justified by mentioning the case study of Disneyland Co. The company opened its theme park in Hong Kong in 2005 applying standardisation strategy to a great extent, through duplication of its theme parks in California and Paris. However, due to significant cultural differences between Hong Kong and West, the financial performance of Disneyland in Hong Kong has been well below the expectations.

Standardisation critics argue that its application diminishes the levels of flexibility of the business in new markets. In other words, global businesses pursuing standardisation strategy are able to respond to changes in individual markets to a lesser extent compared to local businesses or businesses using adaptation strategy.

Adaptation as an effective customer-orientation strategy

Adaptation strategy implies changing various aspects of products and services to a considerable extent in order to meet the needs of consumers in international markets taking into account their differences (Chung, 2009).

Adaptation strategy offers advantages of meeting differences of local markets at various levels, and in this way achieving greater levels of customer satisfaction. When pursuing product adaptation strategy differences of specific markets can be addressed at product development stage, accommodating differences in customer wants and needs in an effective manner.

Korotkov et al. (2013) illustrate advantages of adaptation strategy at psychological level. Specifically, according to Korotkov et al. (2013), adaptations of product design, functions and capabilities according to the needs of specific geographical customer segment is most likely to be appreciated by local customers with positive implications on the levels of revenues.

Differences in relevant government legislations and conditions of consumption of products and services can be mentioned as additional factors supporting the adoption of adaptation strategy. Moreover, differences in languages between countries may have negative implications on standardisation, at the same time supporting the implementation of adaptation strategy.

The strategy of adaptation proves to be effective for mass consumption of products in general, and grocery products in particular as the level of cultural sensitivity towards such types of products tend to be high.

Red Bull GmbH, Austrian energy drinks manufacturer uses adaptation strategy in relation to all elements of marketing mix to a great extent. For example, Red Bull can in North American market is designed in red, silver and blue colours. According on local culture in North America red colour perceived as a symbol of action and courage, whereas blue colour is associated with youth and dynamism (Brown et al., 2012). Red Bull in Chinese market, on the other hand, is designed in gold and red colours, because gold colour represents wealth and happiness in China and red is associated with good luck.

Businesses may choose to apply adaptation strategy towards certain elements of marketing mix more than other elements (Mitchell et al., 2012). For example, Nokia Corporation, a global communications and information company based in Finland focuses on product adaptation on new markets to a great extent, while other elements of marketing mix a subjected to adaptation to a lesser extend.

According to this strategy Nokia focuses on selling low-cost basic but affordable products such as Nokia 3410 and Nokia 105 in market in African continent where customer purchasing power is low, whereas, the same company offers smartphones with advanced features and capabilities such as Nokia Lumia and Nokia E series in North America and Europe.

The strategy of adaptation allows global businesses to respond to changes in local marketplace in rapid manner. These changes may be political, economical, social or technological; nevertheless, relevant business processes may be subjected to modifications in order to eliminate or at least to minimise negative impacts of these changes.

In some cases, global businesses pursuing adaptation strategy may even initiate changes in certain markets, therefore deriving first-mover advantages (Kinard et al., 2013). However, occurrence of this scenario in real-life situation is difficult and it depends on a wide range of factors such as the nature of industry and product life cycle, research and development budget, the level of infrastructure in the local market, the level of competition and others.

Along with advantages discussed above, there are certain drawbacks of adaptation strategy. High levels of financial expenses can be specified as a major disadvantage of adaptation strategy. Adaptation strategy usually eliminates the chances of benefiting from the economies of scale. Moreover, learning the specifications of local culture in order to integrate this knowledge to the elements of marketing mix can prove to be a costly initiative.

Low speed of implementation of adaptation strategy in practice marks one of the main disadvantages of this strategy (Poulis and Poulis, 2013). The process of gaining in-depth knowledge about specifications of the local market, and adjusting elements of marketing mix accordingly can last many months, and during this period the market may become saturated by local businesses or foreign businesses pursuing standardisation strategy.

Adaptation strategy implemented at extreme scale may compromise core competitive advantage of a global brand causing disparity of image of the company. As it was discussed above, Nike brand image is associated with dynamism and active lifestyle effectively communicated through its slogan 'Just Do It' to the global marketplace.

Decisions by Nike strategic management to increase the level of adaptation of its marketing message for international markets might negatively affect its core brand identity compromising its chances for further growth.

Conclusions

Once a specific new market entry strategy is selected, the choice of extent of standardisation can be specified as one of the most important critical success factors in the new market. On one hand, standardisation offers significant cost advantages, but it fails to address some of the differences associated with each individual market.

On the other hand, adaptation strategy can be applied in order to address differences associated with each individual market; however, adaptation comes for an extra cost and this fact may compromise price competitiveness of relevant products and services.

Compromise between standardisation vs. adaptation argument can be achieved in a way that standardisation can be applied in order to develop global marketing strategies in general, at the same time when applying adaptation to address unique aspects of local markets. In other words, standardisation and adaptation strategies do not have to be mutually exclusive; however, an adequate level of balance needs to be maintained between the two.

The case study of McDonald's can be mentioned to illustrate this point. McDonald's exercises standardisation to a great extent in supply-chain management, employee relations, service processes, and many other business processes, thus achieving economies of scale in several levels.

At the same time, the company uses adaptation through introducing Maharaja Mac in India, Mc Arabia in Middle East, and Mc Nuggets with chilli garlic sauce in China (Schumpeter, 2011). Adaptation relates to McDonald's marketing strategy as well. For example, the fast-food chain has introduced Kaisu Burger in Singapore, after locally popular comic character Mr. Kaisu. Thus, McDonald's is able to achieve advantages of both, standardisation and adaptation strategies in global marketplace.

The notion of 'Think Global, Act Local' relates to this approach to a certain extent. Another effective illustration of this strategy can be observed in marketing of Unilever's 'Dove' brand of soaps. Scenery, text and other elements of 'Dove' television advertisement are the same for all markets, however, models featuring in advertisements and the language used by those models are adapted according to local culture for each individual market.

To summarise discussions, it is important for global businesses in the twenty first century to be striving to take advantage of both strategies – standardisation, as well as, adaptation through maintaining an adequate balance between the two. In this way global businesses can take advantage of benefits offered by standardisation such as achieving economies of scale and exercising the same competitive advantage for all markets, at the same time when taking

advantage of benefits offered by adaptation as well such as addressing unique needs of local customers and responding to changes in local marketplace in rapid manner.

It is important to note that this essay has presented discussion of standardisation vs. adaptation argument mainly with disregard to industry-specific factors, and in real-life business environment the extent of standardisation or adaptation is different for each industry.

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