

Product standardisation vs product adaptation



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International Marketing ' is the performance of business activities that direct a flow of a company's goods and services to consumers or users in more than one nation for a profit' (Cateora ; Ghauri, 2000, p7). The strategy a company uses to direct this ' flow' of resources is dependent upon many economic, political and environmental factors, as well as the product itself and circumstance/ attitudes of the members within the parent organisation.

This essay will address the complexities involved with two particular opposing approaches in international marketing; whether a product and its communications should be adapted or standardised for particular international markets, the benefits and drawbacks of each approach and the factors that contribute to such decisions being made. To conclude, the question of to what extent globalisation affects ones tastes and needs and thus the relationship with standardisation of products and services will be considered.

Product standardisation occurs when a company offers the unique version of a product sold in the home country in all of its foreign markets. Such a strategy is based on the principles of cost minimisation, where the expenses of research and development, adaptation, marketing and production in different countries can be passed on to creating greater production volumes; thus economies of scale can be achieved and a reduction of the total unit cost of the product (Sorenson ; Wiechmann, 1975).

The critical principle is that economies of scale in production would lead to ' low price/ high quality ratios', which would sway consumer preference over and above the products they are used to (Mooij, 2000, p103). Further

attributes of standardising products that make an attractive proposition for multi-nationals is the level of consistency the brands will hold amongst their consumers due to the greater control on foreign subsidiaries particularly if the parent company has a centralised structure (Buzzel, 1968).

Reckitt Benckiser recently changed their brand name of the popular depilatory product; 'Immac' from its Middle Eastern, African and UK markets to 'Veet' in order to homogenise with its European markets, and thus develop global brand awareness (www.ameinfo.com). This is particularly relevant for the new type of customer who is increasingly emerging in both western and eastern markets, who is extremely mobile and has access to other markets thanks to developments in transport and informational technology etc. For example a business traveller can find almost anywhere they go a Hilton Hotel, Gillette Razors and a bottle of Coco Cola.

Such control will also have the consequence of simplifying operational variables and maximising the speed of information flow through the business. This creates maximum advantages from dissemination of valuable ideas and learning from mistakes within the total organisation (Hovell and Walters, 1972) But companies who adopt a standardisation technique may run the risk of failure in accounting for consumers possessing different tastes, needs, purchasing powers and the strategies of local competitors that correlate with different cultures.

As a result the possibility arises that commercial efficiency is reduced and volume of sales will not deem profits despite the initial cost saving. Complete standardisation is based on the assumption that with globalisation there will

emerge consumers across the world who have similar needs, values and requirements or who value reduced cost over all other factors. To contrast, the adaptation technique encompasses a customer orientation, where the evaluation of buyer behaviour and market characteristics is methodically completed in each foreign country (Douglas ; Wind, 1987).

So although McDonald's restaurants can be found in many different markets in the world, the food offering is altered to the nations tastes- for example rice and fish is offered in Japan, beer in France and salad in Greece. It is based on the strategy of maximising sales and will be adopted if the sales forecast outweighs the cost of adapting the product through the accrued marketing mix modifications (Terpstra & Sarathy, 1994).

Similar to standardisation there are also benefits with information flow around the organisation; innovation and creative thinking is energised as new solutions are found to different market pressures (Czinkota & Ronkainen, 2001). The negative aspects of adaptation are the complexities that it causes; e. g. multiple brand managers, multiple pricing strategies, multiple products in different markets, a variety of distribution systems and non-continuous messages in promotions across markets.

All this threatens efficiency and effectiveness and drives up the costs that must be compensated for through forecasted and actual sales. The discrepancies between each market will serve to weaken the brand in the perceptions of increasingly sophisticated consumers (who have increasing access to communication and knowledge through technological improvements), after all " global recognition of brands accelerates new

product introductions and increase(s) the efficiency and effectiveness of advertising” (Cateora & Ghauri, 2000, p246).

The reality is that complete standardisation of product with a homogenised marketing plan remains to be ‘ purely theoretical’ (Fram & Ajami, 1994) since as yet no empirical evidence has been substantiated which shows homogenisation of tastes or the ‘ appearance of universal price minded consumer segments’ (Usunier, 1997). Often there are obligatory factors which must be embraced in order to initially begin selling within a foreign market. These are adaptations that fall into the categories of technical adaptations due to regulations.

Customs policies, taxation policies (car manufacturers tend to reduce the size of their engines in countries that tax larger engines more), local professional certification, national standards and technical regulations (notably concerning grocery’s, medicines, electric equipment) all affect the extent to which a product must be adapted (www.eur-export.com). Also there may be other necessary considerations to make that are not bound by regulations but will be deemed necessary for success. Often the conditions for using a product may be different in a foreign market- climate may affect types of materials used (e. . lipstick in the tropical countries may have to be of a different formulation to that in colder climes), level of education of consumers may affect the technical features and culture and lifestyle will affect the communication in terms of symbolic meaning attributed to certain products. The investigation into mineral water consumption can show how profoundly and intricately our socialisation due to culture can be reflected in our buying behaviour and thus affect a companies strategy decision.

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The uncertainty avoidance (the extent to which people feel threatened by situations of ambiguity (Hofstede, 1991: 1994)) of a culture has been linked to the large consumptions of mineral water purchasing behaviours with countries that score highly in this area. Belgium, France and Italy drink considerably more bottled mineral water than the UK and Scandinavia who have a much lower uncertainty avoidance score and it has been proposed they thus like to make up their own minds about what is healthy for them - this trend cannot be explained by quality of tap water available.

Also the masculinity/femininity (achievement and success values vs. caring for others and quality of life) of a culture has been linked to consumption- as often soft drinks, particularly sparkling mineral water have been linked to status and thus consumption is greater in highly masculine cultures (Mooij, 2000, p107). Such cultural difference will need to be taken into account when developing the marketing strategy and may aid with sales forecasting in preliminary stages to formulate the strategy of standardisation/ adaptation. Numerous other factors have also been recognised in enlightening which approach transpires best for different organisations and for different product natures.

One will attempt to give an overview in light of the large amounts of academic literature on the subject. In general industrial goods need to be standardised less than consumer goods (Ward, 1973; Saimee ; Roth, 1992) this is due to the fact that there is less symbolic meaning attached to their usage and thus are less susceptible to cultural preconceptions. Interestingly the same is also true for products that have their extreme symbolic value embedded within the country of origin '(the country of origin effect'-

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Cateora ; Ghauri, 2000, p291), in such instances adaptation will lessen the emblematic appeal, e. g. Channel No5 Perfume (French), Marlborough Cigarettes (US), Twinning's Tea (UK).

Higher levels of adaptation are needed if the products are in different life cycle stages in different markets (Baalbaki & Malhotra, 1995). This was taken on board by a US Cake mix company who acknowledged the British taste was simple dry sponge cake opposed to rich, indulgent cakes that was how the cake-mix situation had evolved in the US; they were further along in the product lifecycle, and thus only began to expand the range and offer more imaginative solutions once the basic mix was established (Cateora & Ghauri, 2000, p297).

Purchasing power is also an important consideration, in developing countries it is common for the consumer to buy certain products in smaller quantities (e. g. disposable razors can be bought in packs of 4 in the Dominican Republic instead of the standard 8/12 in the UK), and thus packaging and labelling will be affected. Factors such as price sensitivity in foreign market, competitors, size and resources of the company will also aid decision making (www.eur-export.com).

In general the types of products that need most adaptation are those that have symbolic interpretation over and above their functional use. Food is an obvious commodity in which consumption is based on habit that has deep rooted emotional meaning to the country it has derived from. Kellogg's cereal company offers ' basmati' flakes in India (Business Week 11/10/97, p24) and seaweed flavoured healthy snack bars in China (<http://www.>

economics. neu. edu) Also clothes, cosmetics, jewellery and hygiene goods fall under such categories.

Prahalad and Doz (1987) view standardisation and adaptation as a tension of opposing pressures and needs. On the one hand there are pressures for cost reduction, technological intensity, investment intensity, access to raw materials etc which must be reviewed in light of the need for local responsiveness; government demands, market structure, differences in distribution, differences in customer needs. The decision a company makes will comprise of a trade-off between these two forces depending on the relative importance perceived by the organisation.

Prahalad and Doz also note that market characteristics are should not be viewed isolated from the strategic intentions of competitors- the ability for international companies to use global cash flows to fortify their strategies may force others to react on a more global basis. The research on business practice demonstrates that adaptation is only carried out if viewed as obligatory for product success. Empirical research shows us that most multinational companies offer to their overseas markets products that are reasonably standardised and where adaptations are made these out of necessity where management were unable to avoid them, i. . discretionary adaptation were generally minimal (Baalbaki ; Malhotra, 1995; Leonidou, 1996). It has also been documented that greater degrees of standardisation are being opted for by companies over the last decade (Boddewyn et al, 1986). Product areas receiving the most changes in overseas markets where primarily design (quality and features), secondly packaging and finally labelling (Hill ; Still, 1984; Ward, 1973).

As a strategy, Kacker (1972) suggests that multinationals tend to adapt the product variables that are necessary and entail minimal cost, in order to maintain cost efficiency through adaptation and an established market share. This tendency towards increasing standardisation may be argued by some is a sign of an increase in globalisation. Globalisation can be defined as the existence of matching lifestyles, consumption patterns, products and cultural experiences throughout the world, both affluent and poorer economies (Firat, 1997).

Levitt's (1983) seminal article 'globalisation of the markets' states that standardisation of products of is an inevitability due to the increase in technological developments that is driving a commonality between consumers from all cultures. "Gone are accustomed differences in national or regional preference... if the price is low enough they will take highly standardised world products, even if these aren't exactly what one's parents said suitable" (Levitt, 1983, p2 & 5 respectively).

It is difficult to question that a homogenisation between cultures is occurring on face value (Asgary & Walle, 2002) but if one delves further it is obvious that there are a variety of dynamics at play. The growth of obesity of individuals in Asian countries has been blamed on shifting eating habits from rice and vegetables to previously alien foods such as fast food, milk, cookies, potatoes and soft drinks. Over the last 20 yrs Thais have doubled their annual intake of sugar to 63.9 pounds per person from 27.9 pounds and issues such as diabetes and heart disease are increasing especially in Japan and the Philippines (<http://biosci.sc.edu>). Yet it is not sufficient to blame entirely such a trend on western companies marketing and making available <https://assignbuster.com/product-standardisation-vs-product-adaptation/>

their 'junk' food in eastern markets. The truth lies in a variety of factors including the increasing wealth of such regions and a desire to purchase western foods for symbolic value and even become over-weight as a means of showing one's status. Thus 'western' food satisfies one of the many ways to exhibit one's affluence, which is an entrenched desire if one has the means in many Asian countries.

It would be overtly simplistic to view globalisation as the driver for increasing standardisation and that this will happen wholly and penetratively across countries. Firstly it has been suggested that cultures are fairly static and do not change as much as some would believe, that there are some articles that consumers are not price sensitive to and that increases in affluence will not cause a homogenisation of need but rather "along with converging incomes, the manifestation of value differences becomes stronger" (Mooij, 2000, p112).

Perhaps it would be of more use to consider a globalisation of fragmentation (Firat, 1997) where the spread of foreign goods and borrowing from cultures is seen as a solution to our own cultures needs in satisfying our desires for creativity, adventure and imagination; which arise from an increasingly structured society that leaves us ever more unfulfilled.

In our increasingly consumption-driven cultures, where information flow is easy and abundant, it is not a surprise that one seeks to mix and match different home and foreign products to enrich our own lives; taking from them the meanings and attributes we desire and discarding those that do not mesh with our values. Having a consumer choice of purchasing gives one

the illusion of freedom and the symbolic attributes of goods fill the void within ones own life (Firat, 1997). It is important to remember that these values and life choices are inextricably linked with ones socialisation and thus within a culture and a historical timeframe.

To conclude, one has attempted to outline the various positive and negative positions that come with both opposing strategic view of international marketing. Through this discussion it became clear that a company's decision is based on many factors including purchase power, type of good, culture, product life cycle and costs. The academic literature documenting actual firms show a cost orientated perception with increasing standardisation yet also notes that it is not realistic to completely standardise products throughout all markets due to the factors mentioned previously.

The decision will be the result of the resolve of the tension between need and pressures exerted on the firm. The role of globalisation on consumer desire, needs and values was debated in relation to whether this would result in increasing standardisation in the future. It was suggested that although flow of communication and information is creating greater awareness and desire for different products; only those products that fit in with a consumer's ideals and standards will be adopted and altered accordingly.

Thus it would seem that neither ideological standpoint off standardisation nor adaptation is correct, indeed to adopt one without first researching the dynamics of the market about to be entered and the consumer behaviours of the segments within this market would be a narrow-minded and disregarding

measure. The situation is contingent on the myriad of factors discussed and more, and as with all things based on human choice is always more complicated than it first seems.