

The standardization versus adaptation marketing essay



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It's been a long time, since the two opposing international marketing strategies have been debated upon – standardisation versus adaptation of products. “ Standardization means selling essentially the same product in all markets.” The advantage of standardisation is low costs, as designing, manufacturing and distributing same product across countries involves less of investment. However, selling identical products across borders may be undesirable due to “ differences in the legal environments, distribution channels, climates, topography, levels of market and technological development, and competitive and cultural factors”. As customers of different countries have different requirements, a standardised product might not be able to satisfy all customers. (Roger J. Calantone et al. 2004)

On the other hand, “ product adaptation refers to the degree to which the physical characteristics or attributes of a product and its packaging differs across national markets” (Cavusgil et al., 1993 cited by Roger J. Calantone et al. 2004). Though customising products for different markets increases cost, the adapted products are more likely to fit the needs of the varied range of customers of different countries and become more acceptable; but would command higher margins, generating greater revenues. For example, Procter & Gamble's (P&G) Oil of Olay skin moisturizer has different type of product in different countries, based on research of the need of customers in those countries; instead of just changing the language on the bottle of the same product.

international firms face the challenge of finding the optimal balance between standardizing and adapting their

marketing, particularly their marketing strategies, across national borders in order to be successful.

Furthermore, in their internationalization process, firms not

only have to find the right approach toward globalization, regionalization, and localization of their business activities in general

(see, e. g., Bartlett & Ghoshal, 1986; Bartlett & Ghoshal, 2002; Kutschker & Ba"urle, 1997; Kutschker, Ba"urle, & Schmid, 1997;

Prahalad & Doz, 1981; Prahalad & Doz, 1987), they also have to transfer this approach to the level of their marketing strategies.

In the late 1960s, Bartels (1968) reasoned that marketing principles are similar across the globe though environmental forces may differ. He developed a framework that focused on the advantages, disadvantages, and barriers to standardization including market characteristics, industry conditions, and legal restrictions. A major proponent of marketing standardization is Theodore Levitt. In his provocative and controversial article, Levitt (1983, p. 93) proclaimed,

" The world's needs and desires have been irrevocably homogenized." Due to technological innovation, mass communication, and consumer mobility, Levitt, and other proponents of standardization, see consumer needs and wants around the globe converging, allowing marketers to pursue uniform marketing approaches in global markets. Many critics, however, have argued that standardization is not feasible or desirable due to differences in the

legal, cultural, and climatic environments (e. g., Douglas and Wind, 1987; <https://assignbuster.com/the-standardization-versus-adaptation-marketing-essay/>

Hill and Still, 1984; Kashani, 1989; Kotler, 1986; Wind 1986).

To some extent, this debate has been ineffectual since neither complete standardization nor complete adaptation is possible (Akaah, 1991; Buzzell, 1968; Cavusgil et al., 1993; Hovell and Walters, 1972; Jain, 1989; Quelch and Hoff, 1986; Walters, 1986; Wind, 1986). The contingency perspective, which views adaptation as a matter of degree rather than as a matter of state, is a useful way to view international product policy decisions. In a key study, Cavusgil et al. (1993) found that product adaptation in export ventures is contingent upon company, product, industry, and export-market characteristics. They concluded that " it is difficult to make blanket statements about suitable standardization/adaptation strategy without an examination of (these factors)"

(p. 497).

Some scholars have noted that adaptation is often a requirement for entering foreign markets. Sorenson and Wiechmann (1975) and Kacker (1975) distinguished between obligatory and voluntary adaptation. Similarly, Hill and Still (1984) commented about mandatory and discretionary product changes. Governmental regulations or widely accepted product standards are examples of mandatory changes firms must implement just to enter particular international markets. On the other hand, modifications to satisfy customer needs better and variations in size, ingredients, or features are examples of discretionary product changes.

Product standardization in international marketing is not limited to large

companies. Small companies with specialized market segments, penetrated with more or less standardized marketing programs, can also be active exporters and very successful internationally. The extent of these firms to standardize products globally depends, to a great extent, on product and industry characteristics, exchange rates, and other market differences (Wind and Douglas 1986).

According to Bartels (1968) and Buzzell (1968), cited by Bradley (2002) , the standardisation debate started during late 1960s when the issues like ‘ can you standardize multinational marketing?’ as well as ‘ are domestic and international markets dissimilar?’ were raised. It was Buzzel who the provided the earliest explicit definition of standardization-

“...the offering of identical product lines at identical prices, through identical distribution systems, supported by identical promotional programs, in several different countries.” (Buzzell, 1968, cited by medina and Duffy, 1998).

The AMA Bennett(1988) defines standardization as: “ A system of identification...[and] Grade labelling...”, which refers to the classification of products. Webster’s Dictionary (1973) defines standardizing as “ to compare with a standard...to bring into conformity with a standard – ‘ something established by authority, custom, or general consent as a model or example’.” (Medina and Duffy, 1998).

AMA defines adaptation as: “ The strategy of developing new products by modifying or improving on the product innovations of others. Contrasts with the strategies of pioneering and imitation” (Bennett, 1988, p. 2). Similarly, Webster’s (1993, p. 13) definition of adaptation states: “...adjustment to environmental conditions.” (Medina and Duffy, 1998).

Doole and Lowe (1999) suggests within the elements of marketing management products or service image or marketing objective and strategies can be standardised easily than pricing or distribution.

Pricing Differentiation

Distribution

Sales force

Sales promotion

Product

Image

Objective strategy Standardisation

A firm taking a global approach means they are standardising their marketing activities to some extent and the firms who have multi-domestic approach means they adopt totally different policy for every single market. The preferable option for firms is to take such a strategy which is a mixture of standardisation as well as adaptation of the different elements of

marketing management programmes. Most companies around the world globalise some elements of the marketing mix while localising others and they use a combination of multi-domestic, global or regional, and transitional strategies.

The business policies of an organisation as well as the modes of its operation is also directed by the degree of standardisation as a company wants to attain similarity across different markets with respect to their marketing strategies. On the other hand, globalization, gives a global framework to the company by integrating different country strategies. This may lead to a company having global approach to their marketing strategy and the same time asking local subsidiaries to formulate their own marketing plan. It is hard to find an example where a company has globalized all of their marketing operations and activities. (Jeannet & Hennessey, 2004).

According to Walters (1986) and Yip (1989), cited by Bradley (2002) standardisation approach is preferable than the other. Because having a strong and reliable product image across different markets around the world, most of the time companies are able to increase their sales. A single standardise marketing plan as well as moving production activities to low-cost countries also helps them to reduce their cost.

This idea is also supported by Levitt (1983), cited by Bradley (2002), where he mentioned that global companies are able to reduce their unit cost which helps them to gain a competitive advantage among non-global or relatively weak competitors as they try to standardise their product and marketing activities by selling the same things in the same way.

Ghauri & Cateora (2006) also emphasised the potential benefits of standardising the marketing mix. According to them economies of scale in production, marketing and saving in the standardisation of advertisement are key benefits derived from standardisation.

According to Hollensen (1998), the main factors favouring standardization includes economics of scale in R & D, marketing, production, global competition, convergence of tastes and customer needs and the centralized management of international operations. On the other hand, the factors favouring adaptation includes local competition, variation in customer needs, fragmented and decentralized management with independent country subsidiaries.

There has been a lot of debate regarding the feasibility of standardization. Levitt, (1983), cited by Gabrielsson (2004) presents one of the strongest arguments regarding this topic. According to his view potential global markets around the world presents the opportunity to market the same product and regional and national differences can be ignored.

Also, Arnold Schuh (2005) suggests that the homogenization of world market has been a key reason for product standardization and the standardization of marketing mix.

The benefits of standardising marketing mix also mentioned by Kotler (1986) cited by Svensson (2002). A company can still gain a good return from its investment by selling its products or services to other countries without changing the product, promotion, price or place.

Any companies overall business strategy normally defines its approach to global marketing. Most often, various functional areas of a multinational company achieves better program standardisation. In such circumstances, manufacturing, finance or research and development departments are controlled and monitored by the central headquarter while the responsibility of making marketing decisions goes to the local managers. (Yelkur & Herbig, 1996).

The product standardization has been one of the major issues in this standardization versus adaptation debate. Consumer nondurables (CND) needs more adaptation than consumer durables (CD) because of the influence of local culture. (Whitelock & Pimblet, 1997).

We can follow the trend of product standardization from the tables (see appendix). There was an increase from 8% to 25% for standardised products for CNDs between 1973 and 1983. Also for CNDs, there was no identical product in 1983 while it was 25% in 1973. Also, for consumer durables, there was a rise, from 0% to 25% for identical products as well as Goods with very substantial product standardization rose from 25% to 42%. (Whitelock & Pimblet, 1997).

Also, Doole & Lowe (1999) suggested that product adaptation is necessary due to cultural factors, usage factors, legal standards, product liability, product acceptability and ethnical consideration. Marketers can increase the product appeal to the customers by addressing these issues.

According to Jain (1989), cited by Whitelock & Pimblet (1997), Culture has been a driving force behind product standardization. The increased amount <https://assignbuster.com/the-standardization-versus-adaptation-marketing-essay/>

of cultural similarities between different countries around the world indicates that standardised products could be accepted by the consumers.

Geography, topography and climate which shape the culture remain constant and almost impossible to change. They play an important role while designing the product and its features. The other elements of culture which includes language, believe systems, the level of marital development, aesthetic standards and the nature of social institution may accept change easily and thus similarities across could arise.

Belief systems which are mainly influenced by the religion plays an important role on consumers buying behaviour. Religion and superstition also shape a person's characteristics as well attitude towards life and work. Also the concept of beauty is heavily influenced by the aesthetic values. These values are present in arts, music or theatre. They also influence consumers buying behaviour. For example, the attractiveness of the packaging or advertising of a product sometimes determines its acceptability to the customers. (Whitelock & Pimblet, 1997).

However, the standardization of brands were decreasing during the period between 1973 to 1983 (see appendix) But the key factor behind standardization of marketing mix remains the economics of scale. As the cost of production goes down, companies can offer lower market price to its consumers. For example, standardised advertising could bring cost savings as well as the difference between cultures could be eliminated. (Whitelock & Pimblet , 1997).