

Standardized and localized strategies



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The debate on globalization has been going on for over four decades now (Heerden & Barter, 2008; Cateora & Graham, 2007; Cheon, Cho & Sutherland, 2007; Szymanski, Bharadawaj, & Varadarajan, 1993) and it seems to be far from being resolved. Out of this debate, many international marketing strategies have emerged with Standardization and Localization appearing as the poles of a continuum which offers marketers contrasting approaches to the task of entering and serving foreign markets (Ramarapu, Timmerman & Ramarapu, 1999)

Levitt (1983) who pioneered this debate argued that Companies had to learn to operate as if the world were one large market ignoring superficial regional and national boundaries. He further asserted that well managed companies had to move from customizing products to offering globally standardized products that advanced, functional, reliable and low priced in order to survive.

Other researchers however, are of the view that markets continue to be different in spite of the forces of globalization, and that differences in customer needs continue to persist even within the global market. In addition, there are too many differences between countries and too many constraints in different markets for a standardized approach to be feasible (Viswanathan & Dickson, 2006).

The issue of concern is therefore not, whether to globalize or customize but how to tailor the global marketing concept to fit each business and how to make it work. (Quelch & Hoff, 1986). In that respect, global managers may need to tailor the approach they use to each element of the business system

and marketing program. This may require a manufacturer to market the same product under different brand names in different countries or market the same brands using different product formulas.

This paper examines the differences between standardization and adaptation with their respective advantages and disadvantages, the role of cultural patterns in society and how they affect consumption behavior as well as, how research should proceed upon entry into a new market.

Differences between standardization and localized strategy

Various definitions of standardization have been advanced including the notion that standardization is a common marketing program (Jain, 1989; Viswanathan et al. 2007), as well as a common pattern of resource allocation among marketing mix variables (Syzmanski, 1993). In this paper standardization viewed as a common marketing program cutting across nations and market segments.

A standardized strategy is characterized by global commonality where corporations sell the standardized products in the same way everywhere (Levitt, 1983). Standardization is build on the premise that, customers will prefer the world standardized products of the company that is able to push costs and prices down while at the same time maintaining suitable concern for suitability. The standardized strategy therefore responds to worldwide homogenized markets and expands them through aggressive low pricing.

Localized strategy on the other hand is characterized by customized products for particular market segments. The strategy seeks to adapt

products and marketing strategy to the specific characteristics of individual markets (Fisher 1984, Kotler 1985, Vedder 1986).

Localization seeks to increase revenue and market share by efficiently focusing on customers in a new specific and unique market. It allows companies to quickly and aggressively compete with local competition while the global brand recognition is still in its early development. While this method rarely offers economies of scale for the global firm, it facilitates local service and expedited local business development

Advantages of Standardization –

Standardization as an international marketing strategy bears a number of advantages which make it an attractive choice for many globalizing companies (Douglas and Wind, 1987). These advantages include; economies of scale in production and marketing, transfer of experience or know-how, uniform global image and easier control and co-ordination as discussed by Katsikeas, Samiee and Theodosious, (2006).

Economies of scale

Marketing standardized products enables companies to achieve significant competitive edge over nationally oriented companies (Levitt, 1983). This results from the large scale production and marketing of the standardized products.

Transfer of experience or know-how

Standardization leads to improved integration and co-ordination of marketing activities across countries or regional areas. This in turn facilitates transfer of know-how and experience developed in one country or market to another

Uniform global image

Since standardization involves the use of uniform product dynamics, service, advertising and so on, this serves to project a uniform global image throughout market segment within which a company markets its products and eventually throughout the world. A good example is the Coca-Cola Company which uses the same bottle, logo, color and even the same taste for its global brand

Easier control and co-ordination

Standardization also leads to easier control and co-ordination since the same product and promotional campaign is used. This makes it easier to implement the same product quality standards, production methods, as well as the brand awareness.

Disadvantages of Standardization

In spite of the many apparent advantages of the standardized strategy, standardization can offer may lead to suboptimal sales when it is inconsistent with the environment in the host market (Yip, 2003). (Katsikeas, Samiee & Theodosious, 2006).

Wind (1988) has identified three reasons not to globalize among them; the fact that standardized products are over designed for some countries and under designed for others, it tends to undermine company networks that already exist, and standardization dampen sentrepreneurial spirit(Ramarapu, Timmerman & Ramarapu, 1999)

From a practical point of view, the standardized strategy may not work for many companies due to the many constraints that limit its application. Some of those limitations include;

Governmental and trade restrictions

Government regulations and trade restrictions sometimes limit the degree to which a company may go in its attempt to standardize its products. For instance, local tariff or other trade barriers, product, pricing or promotional regulations, not to mention the existence of cartels, may frequently hamper marketing of a standardized product line or uniform pricing and promotion.

The nature of the marketing infrastructure

Different countries and regions are at different stages of development which means differences in the marketing infrastructure from one country to another.

This often hinders the use of a standardized strategy across those countries and regions. Similarly, the type of media available as well as their reach and effectiveness differs from country to country. A good example here would be, TV advertising, which is a major medium in the US, Japan and Australia, is not allowed in a number of countries such as Scandinavia and some Arab countries.

Differences in customer interests and response patterns

Customers often differ significantly from one country to another or one region to another in terms of interests, preferences and response patterns. Failure to understand and consider such differences has often led to unsuccessful efforts in the standardization process.

The nature of the competitive structure

Differences in the nature of the competitive situation from one country to another may also suggest the desirability of adapting strategy. The existence of low-cost local competition in certain countries may, for example suggest lowering of price to meet competitors' prices.

Case of Multi product

The argument in favor of standardization assumes that companies deal with only one product which is often not the case since most global companies deal with multiple businesses. Consequently, in developing plans for a given product or product line, it is important to consider interaction or interdependence with other product lines not only in relation to marketing activities, but also all aspects of operations, i. e., sourcing, production, management, financing or marketing.

Advantages of the Localized strategy

Increased revenue and market share

Localization seeks to increase revenue and market share by efficiently focusing on customers in a new specific and unique market.

Expedited local business development

Localization allows companies to quickly and aggressively deal with local competition while the global brand recognition is still in its early development. While this method rarely offers economies of scale for the global firm, it facilitates local service and expedited local business development.

Responsiveness to local needs and market contexts

Advocates of the localization strategy point out that, since few markets are exactly alike, some adaptation to local needs is necessary to win buyers minimize sales (Ramarapu, Timmerman & Ramarapu, 1999)

The disadvantages of the Localized strategy

The advantages of the standardized strategy discussed above may as well be considered the disadvantages of the localized strategy when looked at in the reverse direction. A brief discussion these disadvantages follow below;

Lack economies of scale

Marketing customized products denies companies the opportunity to take advantage of the economies of scale which results from the large scale production and marketing of the standardized products. This customization comes with extra costs that could be avoided in case of standardized products.

Lack of transfer of experience or know-how

Customization of products and marketing elements limits the transfer of know-how and experience developed in one country or market to another thereby slowing development and sometimes leading to wastage of resources.

Lack of uniform global image

Since localization involves the use of customized product dynamics, service, advertising and so on in order to meet unique customer needs and preferences this limits the extent to which a uniform global image throughout market segment and the world can be achieved

Limited control and co-ordination

Localization makes it harder to control and co-ordinate a global company's functions since the different products and promotional campaign are used. This makes it even harder to implement the same product quality standards, production methods, as well as the brand awareness.

Conflict over ownership

Localization may also lead to conflict over the ownership of the localized material. The potential conflict arises due to the vested interest on the product by both the global headquarter and the national office.

The role of cultural pattern in a society and its effect the consumption

Culture has been referred to as a system of values and norms that are shared among a group of people that when taken together constitute a design for living. It is also said to be a collective programming of the mind that distinguishes the members of one human group from another.

Culture includes systems of values and values are in turn among the building blocks of culture (Hill 2001: 79) which explains why it has been referred to as the “ software of the mind” (Cateora & Graham, 2007: 98). As such, cultural patterns exert a great influence on consumption and that makes it a critical factor to consider when formulating a marketing strategy by international marketers in order to avoid conflict with the target market's culture (Heerden & Barter 2008)

In every market segment, some measure of cultural uniqueness in norms, taboos, belief systems, folklores, and so on, are exhibited which unavoidably reflect on the people's consumption behavior.

Cultural patterns will either favor and hence encourage or disfavor and hence discourage the consumption of certain products. Some aspects of culture such as religion, superstitions, aesthetics, social institutions, materialism, and others have cultural undertone which affect people's habits, their outlooks on life, products they buy, the way they buy them, and even the media they are exposed to (Awa, Kalu & Awara, 2010).

For instance, Cateora and Graham (2002) record that the Radio Shack Company suffered

predicaments when it disregarded the host community customs by erroneously assuming no differences exist between people of United States and Europe, perhaps because both are westernized. In Holland, the same company lost Christmas sales owing to its focus of marketing efforts on December 25 whereas holiday gifts are exchanged on 6th December.

In Tanzania, women rarely give eggs to their children for fear of being bald or impotent. To an American, punctuality and setting of deadlines for action are normal business procedures, indicating the degree of emergency or relative importance of the action; but to a Latin American or Arabs, deadlines may be viewed discourteous and uncivilized way of life. Even in organizations, decisions often reflect the cultural backgrounds of the makers (Awa, 2003)

How market research must proceed on entering a new international market

The increase in world trade, an increasing integration of the world's major economies, and the onward march of globalization, will mean that decisions on standardization and adaptation of marketing strategies will continue to be an important issue for academic research and marketing practice.

(Viswanathan & Dickson, 2007)

Given the importance the cultural factor in the international environment, it is crucial that culture be well understood in order to achieve success in international marketing strategies. (Heerden & Barter, 2008).

On entering a new market, a firm's research efforts should be focused on the role of culture in the localization or standardization of a marketing strategy, as well as the specific elements of the marketing mix that need to be standardized or localized in each case.

Thorough research should be carried out in relation to differences in language; distribution facilities; retail structure; topography; climate; regulations governing marketing, cultural features (colour, taboos, history, political make-up, religion, education) before embarking on a comprehensive standardization of the elements of the marketing mix (Van Mesdag, 2000)

Due to the huge cultural differences in different regions and countries, Van Mesdag (2000) postulates that, " it is prudent to assume that everything in the foreign market has to be done differently from the way it is done in the home market, unless hard proof to the contrary can be obtained" (p. 77).

That calls for Market specific research before venturing into different markets with the standardization strategy.

Conclusion

The successful future global marketing strategy will be the one that aims at standardizing some elements of the marketing mix across the world, while customizing others. The correct approach will be to identify the various value chain activities within the marketing function and decide which of these can be performed on a global basis and which can be localized.

Some of the marketing activities may be open to a uniform global approach while others may involve a great degree of customization. Even within a given activity, parts can be globalized and others performed locally.