Mcdonald's standardisation of products

ASSIGN BUSTER

Should marketers attempt to standardize their products and marketing communications so as to minimize the costs of doing business internationally? Or should they adapt their products and messages depending on the market in which they wish to operate? Students should provide suitable examples from the academic literature and your own business knowledge when responding to the question.

In the case of this question students may want to consider the arguments of Theodore Levitt, especially when he argued against the marketing concept, stating that firms should standardize their products to obtain maximum economies of scale in production. There have been numerous critiques of this position, with other academics arguing that products have to be adapted to local conditions for a host of reasons, such as avoiding creating offence in the marketing of certain products in countries where religious codes do not sanction certain forms of consumption. The key case study to illustrate such adaptation, among many others, is MacDonald’s.

INTRODUCTION:

With ever increasing improvements in transport, communications and reduced trade barriers, international trading which was once considered a luxury is now a necessity in many sectors (Vrontis et al., 1999). Once the decision to venture into international markets has been taken, there are two broad strategies, which can be adopted. A fundamental strategic decision has to made immediately as to whether to employ a uniform marketing mix (standardisation strategy) as part of a global strategy or whether to adjust the marketing mix and strategies (Adaptation strategy) to take account of the unique characteristics of each local market (Vrontis and Vronti, 2004).

The debate over standardisation versus adaptation of marketing strategy in international markets has been intense and has gone on for a long time. The focus of this intense argument has been whether marketers at international or global level should standardise their products and communications to all markets within which they operate around the world or whether the products and communication should be adapted or tailored to reflect varying infrastructure, cultural and behavioural dimensions associated with different markets in the global arena. Both sides of the debate have been addressed in the marketing literature over the years, with arguments offered as to why an emphasis on standardisation rather than adaptation should be pursued and vice versa but no definitive outcome of this debate has emerged (Douglas Craig, 1986; Vrontis, Thrassou & Lamprianou, 2009).

McCarthy (1975) introduced the concept of marketing mix or 4 Ps (product, price, promotion and place and firms have based their marketing plans on this to gain competitive advantage. However with particular attention to services marketing Fifield and Gilligan (1996) identified three additional variables, which then became an integral part of the marketing mix and which has become popularly known as the 7Ps namely product, place, price, promotion, people, process and physical. The Marketing mix has been used as the basis of marketing plans and therefore it is employed in the provision of goods and services whether a company uses globalisation stategy standardisation strategy or both.

This essay will discuss the globalisation of markets and will dwell particularly on the marketing strategies used by firms once they decide to enter international markets. The broad strategies of standardisation of the marketing mix on one hand and the adaptation of the marketing mix on the other hand will be highlighted. Finally, the contingency strategy which is the combination of both the standardisation and adaptation strategies will be discussed and will be and justified as the best to be considered by marketers.

Globalisation

Globalisation is a widely used term and as such is defined in many different contexts. Walker and Fox (1999) define globalisation as the global integration of the financial markets and argue that the process of financial globalisation is the most important part of the process of globalisation. Neuland and Hough (1999) see globalisation as the interconnectedness of the world economy. Gill (2000) define globalisation as the reduction of transaction cost of transborder movements of capital and goods and hence of factors of production and goods. Redding (1999) defines globalisation as the increasing integration between the markets for goods, services and capital and at the same time the breakdown of borders. Braibant (2002) says that the process of globalisation not only includes opening up of world trade, development of advanced means of communication, internationalisation of financial markets, population migrations and more generally increased mobility of persons, goods, capital, data and ideas but also includes infections, diseases and pollution. In addition to these terms Goldberg (1983) observed that: " Many transnational companies have grown so large that their size exceeds that of some nation-states. Thus they could override, neutralize, or even counteract the political will of a nation state".

The facilitation of the global market in the form of transport and communications improvements and reduced trade barriers and others has led firms to go global in order to gain competitive advantage and survive. Ohmae (1989) states that large companies must become global if they hope to compete and they must change from companies that treat their foreign operations as secondary, to companies that view the entire world as a single borderless market. Levitt (1983) suggests that as markets become increasingly similar and more global, the key to success lies in the ability to globalise. Additionally there are a variety of motives underlying a firm’s decision to trade globally such as the ability to extend the life cycle of their product in a phase of a mature domestic market and escape from increasing levels of domestic competition (Vrontis & Vronti, 2004).

Going global is therefore a necessity due to the reasons given and firms who are capable of expanding globally take the opportunity. However among the issues to consider before moving to the international market is the need to adopt the appropriate marketing strategy in order to achieve the aim of making such a move. The marketing strategies that is being considered are standardization and adaptation.

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Globalisation of markets

Standardisation and Adaptation

According to Levitt (1983) and Ohmae (1989) standardisation refers to where firms operating at the global level attempt to standardize their products and communications to all markets within which they operate around the world.

Proponents of global standardisation such as (Levitt 1983; Ohmae, 1989) argue that a corporation should operate as a single entity selling the same items everywhere in the same way. They believe the world is increasingly homogenised in its consumer requirements and that the force driving this process is technology, which has facilitated communication, information, capital, transport and travel. The rise of global media giants such as MTV, CNN etc lend weight to the notion that communications technology is the major negotiator of convergence of human preference in that technology facilitates the global spread of promotional messages resulting in homogenisation of consumer tastes across the world. Levitt’s (1983) notion of homogenisation of consumer taste refers to a worldwide desire for modern, low priced, world-standard and dependable products from the modern world. For example Levi Jeans paid $550, 000 for one series of TV commercials to use around the globe for advertising and promotion of its jeans (Jeannete et al., 1998).

This trend would appear to make possible the application of uniform (standardisation) marketing mix strategies across global markets (Levitt, 1983: Ohmae, 1989). In addition, marketing program standardisation would allow for economies of scale and scope in production and marketing, cross-subsidisation (using financial results resources accumulated in one part of the world to respond to competitive challenges in another), easier control and coordination of marketing activities, transfer of marketing know-how, and a uniform brand image across borders (Douglas & Craig, 1986; Levitt, 1983). It has also been noted that marketing program standardisation becomes particularly viable if firms can identity global market segments with common tastes and preferences such as teenagers, working women, and affluent people or a cluster of countries that share similar macro-environmental characteristics (Douglas & Wind, 1987).

Levitt (1983) distinguishes between the multinational corporation which he states operates in a number of countries and adjusts its products and marketing practices in each resulting in relatively high costs and the global corporation which operates as if the entire world were a single entity, the same things are sold in the same way everywhere. He further argues that this supposed converging preference structure makes it necessary for all corporations to standardise their product offerings and marketing activities in order to stay competitive. Levitt (1983) further states that the difference between the two corporations is that global corporation which in his view is the better one treats the world as composed of a few standardised markets rather than many customised markets. According to Levitt (1983) standardisation becomes necessary, a natural condition for the survival of the corporation. The following quotes strengthen his assertions:

“ The commonality of preference leads inescapably to the standardisation of products…” (ibid., p. 55)

“ Selling a line of products individually tailored to each nation is thoughtless”..(ibid., p. 61)

“ Companies that do not adapt to the new global realities will become victims of those that do”..(ibid., p. 65)

McDonalds, Coca-Cola, Nike’s trainers, Levi’s’ jeans have all crossed global borders but there is evidence of tailoring of communications message, (Vignali, 2001). According to the same author, brand name, product characteristics, packaging and labelling are the easiest of the marketing mix to standardise.

On the other hand, adaptation refers to the marketing strategy where the products and communications are adapted or tailored to reflect varying infrastructure, cultural and behavioural dimensions associated with different markets in the global arena (Britt, 1974; Buzzell, 1968; Douglas & Wind, 1987).

Proponents of adaptation, although acknowledging the potential benefits of a standardised marketing strategy point out its weakness of significantly undermining a firm’s foreign market position. This is because despite globalisation, national value systems and traditions persist.

Furthermore product purchase and usage patterns are not identical across national borders because consumers respond differently to different advertising appeals (Keegan, 1969). (Czinkota and Ronnekan, 1995; Vrontis 2003) emphasises the various differences evident in international markets and urge multinational companies to adjust the marketing mix elements and marketing strategies. He further states that the advantage of specific marketing mix approach is that strategy is tailored to suit local market needs while flexibility and responsiveness are maximised and believes that marketing orientation is achieved at an optimal level.

This in turn calls for changes to promotional campaigns, product features, price and distribution thereby adjusting wholly utilisation strategy without rendering the marketing mix ineffective (Zou & Cavisgil, 2002). Consequently firms need to adjust their marketing programs to suit local needs and adequately respond to various environmental forces.

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Contingency Strategy:

A number of scholars have proposed a contingency perspective for international marketing arguing that neither adaptation nor standardisation is feasible and that in reality neither of these polarised views is feasible or desirable and that in fact the two co-exist (Vrontis, 2003; Zou & Cavusgil, 2002). Culture has been identified as a barrier in relation to the suitability of the product in particular local markets (Czinkota et al., 1995).

This is echoed by Vrontis, (2003) who argues that the huge costs involved inhibit the use of any one strategy in an absolute manner but suggests that international marketers should have to search for the right balance between standardisation and adaptation in the order and extent of globalisation of the business and adapt the organisation’s response accordingly. The author called his new modelling approach the AdaptStand Process which he used in the Levi Jeans brand case study (Vrontis, 2003).

Taylor (1991), supporting the view that firms should use both internationalisation and globalisation elements to create competitive advantage emphasises the notion that corporations should think global and act local coined “ Glocal” by Ohmae (1989).

Some of the companies that have successfully adapted their marketing mix to achieve “ glocalisation” include McDonald’s and Levi Jeans. McDonald for instance embraced and adopted the concept of think global, act local and has successfully adapted its marketing mix to a local environment in order to meet and the challenges posed socio-economic -cultural, political-legal, demographic (Vignali, 2001).

Explaining further with the marketing mix and considering the case of product

McDonald, while aiming at creating standard food items that taste the same across the whole world realises that standardisation brings cost savings. The company however acknowledges that the ability to adapt to an environment ensures success (Vignali, 2001). McDonald adapted its product because of religious laws and customs in some countries. For example in Israel the company avoided dairy products and beef in the case of Hindus in India and also pork in the case of Muslims. Calantone et. al.(2004) state that adaptation of a product is a core aspect of customising and to be successful in the market, the firm has to satisfy the customer wants and needs better than the competitors in that environment. MacDonald main course however remains the same across the world, that is burger/sandwich, fries and a drink. Quality control and standards are consistent throughout all McDonald outlets to ensure the same standard and quality starting from suppliers through to food preparation (Vignali, 2001).

In the case of Levi Jeans, females in Islamic countries for example are discouraged from wearing tight fitting jeans which is the favourite of their American counterparts (Czinkota et al,, 1995). It is therefore evident that fit design and style of jeans need to be adapted to meet requirements of the local buyers.

Relating the contingency strategy to the marketing mix place,

McDonald’s expansion into international markets is based on ownership, franchises and joint ventures. Its strategy is open as many restaurants company owned and operated rather franchised or joint ventures to reduce competition. In 1998 McDonald had over 24500 restaurants in 116 countries showcasing its level of globalisation but also operationally showing a “ Glocal” focus as it shares ideas, best practices and human resources across borders further enhancing its competitive advantage and strengthening its leadership position (McDonald’s Corporation, 1998)

In the case of price, while it is accepted that one of the benefits of standardisation is savings in cost McDonald’s pricing strategy is focused on localisation rather than globalisation. It not only implements different pricing strategies for different countries but also attains its market objective to increase its market share by ensuring the right price for the right market (Vignali, 2001). The McDonald’s pricing policy takes into account factors, firstly the demand and perception of price by the consumer in comparison to similar products from rivals and would then set its prices taking into account other food purveyors in each country. Secondly the McDonald’s pricing strategy takes into account the stage in the life cycle of their product in each country before setting the price, For example, in the USA, the product is in maturity to decline stage and McDonald’s price will be lower than the price set for Japan which is in the growth to maturity stage (Vignali, 2001). Adapting prices this way allows McDonald to recover lost revenues in the USA while maximising profits in the Japanese market. McDonald’s Corporation sponsors many sports nationally for example in basketball, racing and globally for example the Olympic Games and the World Cup. It employs standardisation for advertising its brand in many countries across the globe showcasing sports personalities but localising the advertising tactics by using top footballers from each country. The effect of this is that standardisation and consistency of the brand is achieved globally while localisation of advertising a particular top football personality makes the advertising campaign more effective and successful in capturing customers and market share away from competitors (Vignali, 2001)

Levi Jeans faced competition from prevailing substitute products and therefore had to raise the quality of its jeans while adjusting its price to fight lower prices, counterfeits and substitute products in the local markets (Vrontis and Vronti, 2004)

Advertising

When it comes to people McDonald’s policy on staffing issues is to blend US human resources practices with host country norms by first investigating and understanding the host country’s labour laws, and conditions of work including working times. The benefit of this is that blending of corporate and local cultures in the workforce and at the same time forcusing recruitment policy on the local community while promotion is from within globally. The objective is to have consistency in terms of people management and development and standardisation with a local focus on the labour and cultural norms in each country in order to achieve loyalty and also the best customer service (Vignali, 2001)

If the process is considered, food

preparation is the same the world over and must meet McDonald’s strict standards and demands This includes suppliers and franchisees as well. For example kitchen layouts are identical globally and there are specific dimensions for fries, meat, Big Mac and buns (Vignali, 2001). Standardisation is also evident globally at the tills which display symbols of the food items instead of numerals or words to eliminate language translation barriers. Local adaptation is shown as the restaurants in different countries have slightly different meals.

Physically

McDonalds penetrated international markets through franchising but the layouts of these restaurants are almost identical in every country. from kitchens to staff uniforms, display signs, the slogans and the friendliness of the staff world-wide epitomize standardisation (Vignali, 2001). Local adaptation is apparent as different international restaurants adjust to suit local conditions for example in China, where interior walls are decorated with posters and slogans emphasising family values.

CONCLUSION:

The essay discussed globalisation and internationalisation with special reference to the strategy firms used to enter the international market. Two main strategies is identified. The first relates to whether firms should standardise their products and communications to all markets within which they operate around the world and the second is whether the products and communication should be adapted or tailored to reflect varying infrastructure, cultural and behavioural dimensions associated with different markets in the global arena.

The standardisation-versus-adaptation debate for pursuing marketing strategy in international or global markets has received considerable attention for decades. It has been shown why supporters of standardisation such as Levitt (1983) feel that a corporation should operate as a single entity selling the same products everywhere in the same way. The argument is that that the world is increasingly becoming homogenised in its consumer tastes and requirements and that the force driving this process is technology, which has facilitated communication, information capital, transport and travel. The author also considered how the benefit of economies of scale and scope could lower costs to the advantage of the investor.

However other scholars argument that the cost savings to be made from standardisation should not be the mauor consideration is very valid. According to the proponents of Adaptation,, the cultural, social and legal settings in some countries makes it impossible to compete successfully in all countries offering the same products and services (Vrontis, 2003). Adaptation is seen to override standardisation due to the importance attached to thge need to adapt to the peculiarities of the home country.

However it has been clearly shown that, neither standardisation nor adaptation is the best solution. Rather standardisation and globalisation co-exist and do not operate in isolation. Therefore while corporations can standardise their brands globally, some aspects of their marketing mix must be adapted so that their products and services suit and satisfy the needs, wants and tastes of customers in different countries if they are to create a competitive advantage and increase market share in international markets.

The McDonald’s and Levi Jeans marketing mix show that these two corporations embraced the notion of “ glocalisation” i. e. combining globalisation and internationalism in order to remain competitive, penetrate international markets, increase their market share. It is therefore not surprising that they have become leading brands internationally in their respective industries.

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