

# Analysis of standardization verses adaptation



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Globalization seems to have become the phenomenon that no one can escape from whether it's a small business or a big one. It even seems to have huge effect on our life style. Schaeffer 2003. As defined by Wild et al. (2005, p. 6) globalization is “ the trend toward greater economic, cultural, political, and technological interdependence among national institutions and economies”. This reflects that globalization is a phenomenon that encompasses not only businesses but also other factors making up the society Daniels et al. 2007; Hill 2007. The modern economic landscape has globalization as one of its prominent feature Anthony Pecotich and Steven Ward 2007. It is proposed that in coming time it will be the foreign markets that will play the main role for growth of most of the firms Douglas B. Holt, John A. Quelch, and Earl L. Taylor 2004. And this phenomenon, that seems to have great impact on us all, makes the bases for new market systems (Craig and Douglas 1996; Ghauri and Cateora 2006). This system makes markets so interdependent that the performance of firm is evaluated on a global rather than national base. (Porter 1986; Ulrike de Brentani, Elko J. Kleinschmidt, and Soñ ren Salomo 2010) . Globalization brings with it several decisions to be made, one of which is the standardization or adaptation of various aspects of marketing mix (Chung 2003; Walters 1986; Å-zsomer et al. 1991). A firm when entering a new market can make the choice of either modifying the product referred to as adaptation or making no change in the product referred to as standardization (Roger J. Calantone, S. Tamer Cavusgil, Jeffrey B. Schmidt, and Geon-Cheol Shin 2004). A strong disagreement exists between the scholars favoring standardization in contrast to those esteeming adaptation. (Theodosiou and Leonidou 2003; Ryans et al. 2003)

## Literature Review:

The debate over supremacy of adaptation versus standardization runs back for more than half a century with Elinder (1961) and Roostal (1963) being pioneer contributors, with their main focus on corporate advertising functions, with the notion of standardization in advertisement which was based on the argument that marketing principles largely remain the same ubiquitously. International marketing was first discussed from a wider viewpoint by Bartels (1968) who argued in favor of standardization strategy. Buzzell (1968) spoke of standardization as the standardization of the 4Ps of marketing mix, namely product, price, place and promotion, across borders. Levitt (1983) proposed this standardization of product worldwide to be one of a key success factor for firms when going global. On the other hand researchers also claim that standardization is an oversimplification which is not effectively operative and true for marketing concepts ( Douglas and Craig 1986; Douglas and Wind 1987). These and many other researches brought into limelight the scholarly debate over supremacy of standardization verses adaptation, which is still on-going (Cavusgil et al. 1993; Johnson and Arunthanes 1995; Lages 2000; Shoham 1999; Theodosiou and Katsikeas 2001).

The theory of economies of scale is considered to be of fundamental importance to the advocates of standardization, as it is argued that standardization brings with it economies of scale and this result in reduction of cost and maximization of profits. (Porter 1985; Porter 1980; Ryans et al. 2003; Shoham and Albaum 1994). Economy of scale is also claimed to be one of the most probable outcomes of standardization (Buzzell 1968; <https://assignbuster.com/analysis-of-standardization-verses-adaptation/>

Douglas and Craig 1986; Levitt 1983; Theodosiou and Leonidou 2003; Yip 1995; Å-zsomer and Simonin 2004)

The advocates of adaptation, on the other hand, question the impact of economies of scale. As Douglas and Wind (1987) claim that distribution cost is more important than production cost. Strong arguments questioning economies of scales' influence on promotion have also been evidenced (Douglas and Craig 1986; Onkvisit and Shaw 1987). Theodosiou and Leonidou ( 2003) take the discussion further by proposing that the central motive of organizations is long-term profits which could be achieved through adaptation rather than standardization. Further arguing that as low price customers are habitually not brand loyal (Keller 2003; Wind 1986) this raises a big question mark for the firms espousing standardization in the long run (Douglas and Wind 1987; Wind 1986).

Similarly another argument in favor of standardization is the intensification in homogenized needs of global customers resulting in an increasing number of similar market segments across countries. This increased in globalization of customers is believed to be made possible by the development of transportation technologies (Levitt 1983). It is argued that the technological advancement results in augmented customer mobility producing global customers with homogenous needs (Cavusgil et al. 2008; Douglas and Wind 1987; Keegan et al. 1987; Theodosiou and Katsikeas 2001). These global customers are even prepared to sacrifice other features of product in order to acquire standardized product of high quality and low price (Levitt 1983). And this trend of customer's choice is claimed to be the reason for many products to have universal specifications (Cavusgil et al. 2008). The

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companies going for standardization influence their suppliers to offer standardized products and this reflect why business to business organizations have to go for standardization (Buzzell 1968; Douglas and Wind 1987; Yip 1989). Similarly Ohmae (1985) discusses the Triad in order to elaborate homogenization of customers'. Triad, which encompasses the European Union, United States and Japan, seems to be filled with customers having large number of correspondences in their psychographic and demographic characteristics and this group of customers is open to globally vigorous companies (Ohmae 1985; Theodosiou and Katsikeas 2001).

Because of the increasing number of these internationally savvy consumers with similar needs in terms of product and service features, several global customer segments , based on behavior rather than religious or political margins, are proposed, by researchers, to be pleased with standardized offerings (Armstrong and Kotler 2007; Cavusgil et al. 2008; Hassan et al. 2003; Hassan and Craft 2005).

Whereas Wiechmann and Pringle (1979) claim that there is always friction between home and host markets, this friction could be between the company and its foreign distributor or foreign customer and / or even between home country and host country offices. This friction is result of different environmental discrepancies between the two markets. It is suggested that adaption can help minimize this friction resulting in better performance (Shoham 2002; Shoham and Albaum 1994).

Another frequently mentioned justification to why international companies should adopt standardization is the technological advancement in

communications and information (Buzzell 1968; Jain 1989; Terpstra and Sarathy 2000; Zou and Cavusgil 2002). There are several channels on television available to customers globally via cable and satellites (Elinder 1965; Jobber 2007). In addition to this, international availability of English language print media can be traced back to decades (Terpstra and Sarathy 2000). likewise internet has also developed into a vibrant marketing device worldwide (Chaffey et al. 2006; Mohammed et al. 2003). All this presents a global market for standardized advertisement. And it backs Levitt's (1983) claim that people would want things promoted on these new technologies. These marketing tools enable and direct the use of standardized marketing strategies (Theodosiou and Leonidou 2003; Zou and Cavusgil 2002). However, it is also argued that new technology brings with it more flexibility which favor adaptation and a firm can use this to have advantage over its competitors (Douglas and Craig 1986; Douglas and Wind 1987; Shoham 1999).

Fairly allied with the homogenization of customers and market segments, mentioned earlier, is the proliferation in regional economic amalgamation, taking place globally. The past few years have seen an extraordinary spread of regional trade arrangements. With the most noticeable regional economic amalgamations, till date, to be the North American Free Trade Agreement (NAFTA) and European Union (EU). It is argued that standardized strategies are most likely to be successful in these areas (Cavusgil et al. 2008; Hill 2007; Theodosiou and Katsikeas 2001; Wild et al. 2005). As these agreements aim to remove trade barriers this intern facilitate

internationalization of firms which brings with itself globalization of customers in these integrated regions (Hill 2007; Wild et al. 2005).

Where on one had we find claims in favor of standardization On the other hand Friedman (2000) debates that standardization may work for limited number of product. Adding on to this claim are Douglas and Craig (1986) litigating that there is no evidence available to support the standardization view. Many scholars have debated that there exists a fairly large difference between the foreign markets and for this reason the marketing strategies should be adjusted according to the specifications of individual foreign market (Cavusgil et al. 2008; Cavusgil et al. 1993; Czinkota and Ronkainen 2007; Shoham 1995; Terpstra and Sarathy 2000; Theodosiou and Leonidou 2003). Different arguments have been given in favor of adaption; some highlighting the variances in the distribution channels (Daniels et al. 2007), while others highlighting the differences in national preferences (Cavusgil et al. 2008; Wind 1986). Such statements have been made by the advocates of adaptation in an effort to claim adaptation to be a better strategy. And it has been testified that even the giant brands, like Coca Cola and McDonalds, incur numerous adaptation strategies in accordance to their foreign markets (Czinkota and Ronkainen 2007)

### **Analysis and result:**

Putting it in a nutshell we may say that technological advancement, homogenization of customers' worldwide and economic integration pushes organizations to adapt standardization in order to prosper (Buzzell 1968; Cavusgil et al. 1993; Levitt 1983; Sustar 2005). However, on the other hand adaptation proponents are of the view that not only there exist significant

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differences between customers from different countries but also the technological encroachment in production may even cause eradication to the economies of scale argument. Further proposing that even if it doesn't completely remove the effect of economies of scale; it will reduce the effect to minimal level; hence, making adaptation a better suited strategy in the times to come.

Although standardization and adaptation are two viewpoints that contradict each other, it is difficult to claim supremacy of one over the other. Both standardization and adaptation have their benefits, yet that does not imply that a strategy useful for one organization in some specific market will prove to be useful for the same organization in another market or may be for a different organization in the same market. There are number of factors that may influence the decision of adaptation of Standardization or Adaptation (Jain 1989). Massive work has been done in order to identify and chock down a list of different factors influencing the decision of selecting adaptation or standardization, in a very general manner ( Johnson and Arunthanes 1995; Lages and Montgomery 2004; Lee and Griffith 2004; Theodosiou and Katsikeas 2001). Furthermore, Å-zsomer et al. (1991) has done a more systematic study of these influencing factors. . Cavusgil and Zou (1994) came up with a further simplified description of the aspects that need to be taken into account when making the decision of choosing to move towards standardization or adaptation. This orderly arrangement has been used by number of academics ( Katsikeas et al. 2006; Michell et al. 1998; Å-zsomer and Simonin 2004).



## **Managerial implications:**

As through the discussion it is clear that both standardization and adaption have their pros and cons and along with a number of other factors influencing the decision of choosing the accurate strategy that will be successful in a particular condition for an organization. For this reason when an organizations decides to go global, their Managers must not think of supremacy of standardization over adaptation or vice versa, rather they need to understand the market they are going in and should also understand their organization along with all the influencing factors in order to decide which strategy, Adaptation or Standardization, would lead the organization towards their major goal of being successful, when responding to the process of globalization.

## **Limitations**

The above study tries to give deeper understanding about the continued under debate topic of standardization verses adaptation. However, due to shortage of time and resources there might be some areas not covered in this paper. Never the less it adds to the existing body of knowledge and further research could be done in order to understand the phenomenon of standardization and adaptation so as to know which strategy will suit in what kind of conditions, for a particular organization, in order to make the organization not only successful nationwide but also across the globe.

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