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Subhash C. Jain

Standardization of International Marketing Strategy: Some Research Hypotheses

Two aspects of international marketing strategy standardization are process and program standardization. A framework for determining marketing program standardization is introduced. Factors affecting program standardization are examined critically. In an attempt to establish a research agenda on the standardization issue, the author develops research propositions for each factor.

GLOBAL marketing is much on the minds of academicians and practitioners today. It has been argued that the worldwide marketplace has become so homogenized that multinational corporations can market standardized products and services all over the world, by identical strategies, with resultant lower costs and higher margins. Interestingly, the standardization issue is not new. Whether to standardize or to customize has been a vexing question with which international marketers have wrestled since the 1960s. The world went on without the issue being fully resolved. Recent resurgence of interest in the international standardization issue is attributed to such global influences as TV, films, widespread travel, telecommunications, and the computer.

Though much has been said and written lately on globalization of marketing, we are nowhere close to any conclusive theory or practice. This situation is not surprising, as empirical studies in the area of inter-

national marketing are limited. Because empirical detection requires a theoretical base, this article is an attempt to provide a conceptual framework for gaining insights into the standardization issue. Hypotheses are presented in the form of propositions. Ideas for testing these hypotheses are given. In brief, an attempt is made to establish a research agenda on the standardization issue.

Literature Review

As used here, standardization of international marketing strategy refers to using a common product, price, distribution, and promotion program on a worldwide basis. The issue of standardization first was raised by Elinder (1961) with reference to advertising. He stressed that emerging similarities among European consumers make uniform advertising both desirable and feasible. Interestingly, advertising continues to be the leading standardization concern (Killough 1978; Miracle 1968; Peebles, Ryans, and Vernon 1977, 1978). In the last 25 years, of the 34 major studies on the subject, 14 have been on advertising. In addition, almost 55% of these studies have been conceptual. Though the subject of standardization has not been researched conclusively, an examination of these writings leads to the following conclusions.

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- There are two aspects of standardization, process and program (e.g., Sorenson and Wiechmann 1975).
- Across-the-board standardization is inconceivable (e.g., Killough 1978).
- The decision on standardization is not a dichotomous one between complete standardization and customization. Rather, there can be degrees of standardization (e.g., Quelch and Hoff 1986).
- A variety of internal and external factors impinge on the standardization decision. Among these, product/industry characteristics are paramount (e.g., Wind and Douglas 1986).
- Generally standardization is most feasible in settings where marketing infrastructure is well developed (e.g., Peebles, Ryans, and Vernon 1978).

The preceding observations, taken as a whole, seem to suggest that standardization at best is difficult and impractical. However, we do know that the marketplace is becoming increasingly global and indeed there are global products. Among consumer durable goods, the Mercedes car is a universal product. Among non-durable goods, Coca-Cola is ubiquitous. Among industrial goods, Boeing jets are sold worldwide as a global product. How do we explain this phenomenon conceptually?

This article is an attempt to establish a research agenda on the standardization issue. The article is organized into four sections. In the first section a framework for determining marketing program standardization is introduced. The next section critically examines various factors that affect standardization. Research propositions for establishing a research agenda on the standardization issue are developed around these factors. The degree of standardization feasible in a particular case and its impact on performance in program markets are discussed in the third section. In the last section, managerial implications are provided.

Standardization Framework

As noted before, standardization has two aspects: marketing *program* and marketing *process*. The term “program” refers to various aspects of the marketing mix and “process” implies tools that aid in program development and implementation. A company may standardize one or both of these aspects. Inasmuch as the current controversy pertains to program standardization, this article addresses only that aspect.

Figure 1 is a framework for determining the degree of standardization feasible in a particular case. The following key concepts underlie the rationale for this framework.

- Likelihood of program standardization depends on a variety of factors identified as target market, market position, nature of product, and environment. Explanation of these factors is given in Figure 1.
- Effective implementation of standardization strategy is influenced by organization perspectives.
- Total standardization is unthinkable.
- The degree of standardization in a product/market situation should be examined in terms of its long-term advantage.

Marketing Program Standardization

With few exceptions, most of the literature on standardization, especially the earlier studies, addresses globalization/standardization of marketing program (Walters 1986). The term “program” comprises various facets of marketing mix, which can be classified as product design, product positioning, brand name, packaging, retail price, basic advertising message, creative expression, sales promotion, media allocation, role of salesforce, management of salesforce, role of middlemen, type of retail outlets, and customer service (Quelch and Hoff 1986; Sorenson and Wiechmann 1975; Wind and Douglas 1986).

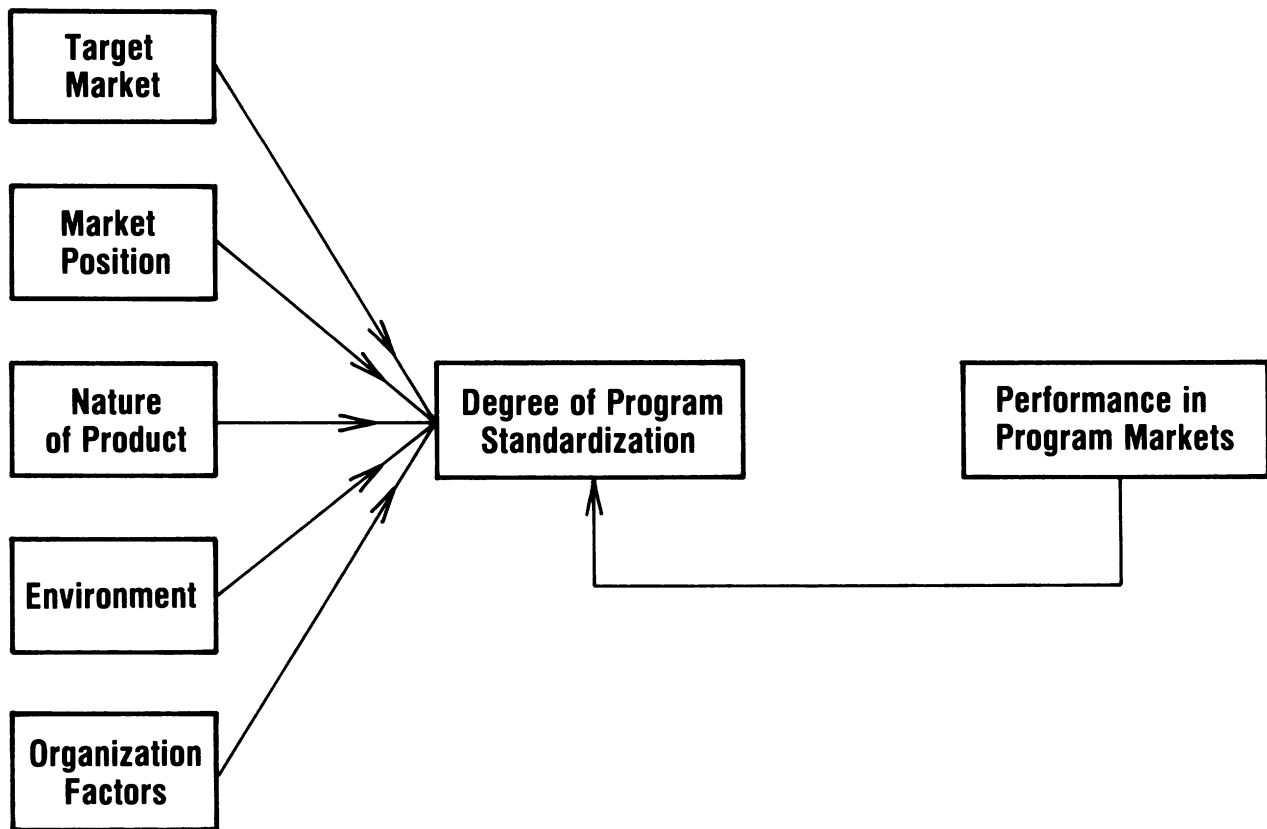
Advertising (ad message and creative expression) and, to a lesser extent, product design are two aspects of the marketing program that have been examined more often than others, in both conceptual and empirical studies. Future research should explore globalization of other aspects of the marketing program as well.

Conceptually, standardization of one or more parts of the marketing program is a function of five factors identified in Figure 1. Individually and collectively these factors affect standardization differently in different decision areas.

Target Market

The standardization decision is situation-specific, requiring reference to a particular target market for a particular product. Researchers have examined the globalization issue, either explicitly or implicitly, with reference to advanced countries, especially Western Europe. Elinder (1961), Fatt (1964), and Roostal (1963) considered globalization feasible because of the increasing similarity and international mobility of the European consumers. According to Ohmae (1985), the United States, Western Europe, and Japan, which constitute the major world markets accounting for the bulk of product, appear to be becoming fairly homogeneous and hence fit for globalization.

FIGURE 1
A Framework for Determining Marketing Program Standardization



Target Market

1. Geographic area
2. Economic factors

Market Position

1. Market development
2. Market conditions
3. Competition

Nature of Product

1. Type of product
2. Product positioning

Environmental Factors

1. Physical environment
2. Legal environment
3. Political environment
4. Marketing infrastructure

Organization Factors

1. Corporate orientation
2. Headquarters-subsidiary relationship
3. Delegation of authority

Opponents of globalization also use advanced countries as their reference point. Fournis (1962) notes that customs and traditions tend to persist and therefore the concept of the "European consumer" is a misnomer. Scholars observe that as people around the globe become better educated and more affluent, their tastes actually diverge (Fisher 1984). Boddewyn (1981) found sharp income and behavior differences between European consumers to be discouraging for globalization.

The studies cited raise an important research question: Does economic similarity (referring to per capita GNP, disposable income, quality of life) among na-

tions foster market homogeneity in terms of specific product needs, opening the door for globalization? The following proposition is advanced.

P₁: In general, standardization is more practical in markets that are economically alike.

The point can be illustrated with reference to the Organization for Economic Cooperation and Development (OECD) countries. OECD nations, which make up only 15% of the total number of countries in the world, account for as much as 55% of the global GNP. Markets in these countries have similarities in consumer demand and commonalities in lifestyle patterns

that are explained by several factors (Nissan Motor Company 1984). First, the purchasing power of OECD residents, as expressed in discretionary income per individual, is more than eight to 15 times greater than that of residents of less developed countries (LDCs) and newly industrialized countries (NICs). Second, in OECD countries the penetration of television into households is greater than 75% whereas in NICs it is about 25% and in LDCs it is less than 10%. Third, more than one-third of the OECD consumers graduate from high school or higher educational institutions, but a comparable level of education still is offered to less than 15% of the population in NICs and to an even lower percentage in LDCs. Briefly, it is their education level (what they read and see), their television watching (their level of awareness), and their purchasing power that make the OECD residents similar to each other in behavior and that distinguish them from the rest of the world. Thus standardization may be feasible among the OECD nations.

Rather than looking at the target market in terms of rich/poor nations, it may be possible to identify segments, in both developed and developing countries, that are similar and represent a homogeneous market. Several scholars have explicitly endorsed this type of approach (Kale and Sudharshan 1987; Levitt 1983; Sheth 1986; Simmonds 1985). Levitt states (p. 92, 94):

The multinational corporation operates in a number of countries, and adjusts its products and practices in each at high relative costs . . . [companies should] know that success in a world of homogenized demand requires a search for sales opportunities in similar segments across the globe in order to achieve the economies of scale necessary to compete. Such a segment in one country is seldom unique—it has close cousins everywhere precisely because technology has homogenized the globe.

Empirical evidence on the *intermarket segment concept* is provided by Hill and Still (1984), who found that greater product adaptation was required in rural areas than in urban areas in the LDCs. This finding can be interpreted to mean that the urban areas in developing countries may have segments that are similar in character to those in industrialized nations.

As a research idea, country markets can be segmented, say on the basis of occupation, and the needs and shopping traits of a particular segment can be examined on a worldwide basis. This suggestion leads to the following proposition.

P₂: Standardization strategy is more effective if worldwide customers, not countries, are the basis of identifying the segment(s) to serve.

The significance of the intermarket segmentation concept can be illustrated with reference to India and Kuwait. Kuwait's per capita GNP in 1983 was \$18,000 and India's \$260. On the basis of these figures, Ku-

wait is about 70 times more attractive than India. However, India's total GNP in 1983 was eight times greater than Kuwait's and its population was 400 times as large. If we assume that only 5% of the Indians would have the purchasing power of a Kuwaiti, the Indian market would be 20 times as attractive as the Kuwaiti market. Thus segments for standardization may be present in both rich and poor countries.

Market Position

Segmenting world markets in isolation of market-specific contexts is insufficient. *Market development, market conditions, and competitive factors* must be considered.

Different national markets for a given product are in different stages of development. A convenient way of explaining this phenomenon is through the product life cycle concept. If a product's foreign market is in a different stage of market development than its United States market, appropriate changes in the product design are desirable in order to make an adequate product/market match (Jain 1984; Kirpalani and MacIntosh 1980). Polaroid's Swinger camera is claimed to have failed in France because the company pursued the same strategy there as in the United States when the two markets were in different stages of development. The United States market was in the mature stage, whereas the French market was in the introductory stage (de la Torre 1975).

The three market conditions that influence the standardization decision are cultural differences (Arndt and Helgesen 1981; Hall 1959; Lee 1966; Ricks 1983, 1986; Terpstra and David 1985), economic differences (Douglas, Craig, and Keegan 1986; Henzler 1981; Luqmani, Quraeshi, and Delene 1980; Terpstra 1986), and differences in customer perceptions (Bilkey and Nes 1982; Cattin, Jolibert, and Lohnes 1982; Kaynak and Cavusgil 1983; Nagashima 1977; Narayana 1981) in foreign markets.

Culture influences every aspect of marketing. The products people buy, the attributes they value, and the principals whose opinions they accept are all culture-based choices (Lipman 1988). For example, different levels of awareness, knowledge, familiarity, and affect with people, products in general, and specific brands may result in differential attitudes toward similar products (Parameswaran and Yaprak 1987). Cultural differences influence consumer acculturation which, in turn, affects acceptance of standardized products (Schiffman, Dillon, and Ngumah 1981). Hence, where a product is culturally compatible with the society, it is likely to be more suitable for standardization (Britt 1974; Keegan 1969).

Poor economic means may prevent masses in LDCs from buying the variety of products that U.S. consumers consider essential. To bring such products as

automobiles and appliances within the reach of the middle class in developing countries, for example, the products must be appropriately modified to cut costs without reducing functional quality. Finally, the decision on product standardization should be based on the psychological meaning of the product in different markets (Friedman 1986). Foreign products in many cultures are perceived as high quality products. In such cases, standardization would be desirable (Aydin and Terpstra 1981). In contrast, if the image of a country's products is weak, it would be strategically desirable to adapt a product so that it could be promoted as different from, rather than typical of, that country's products.

From the preceding discussion, the following propositions are presented as a research agenda.

- P₃: The greater the similarity in the markets in terms of customer behavior and lifestyle, the higher the degree of standardization.
- P₄: The higher the cultural compatibility of the product across the host countries, the greater the degree of standardization.

In the absence of current and potential competition, a company may continue to do well in a market overseas with a standard product. However, the presence of competition may necessitate customization to gain an advantage over rivals by providing a product that ultimately matches local conditions precisely. Similarly, if the competitive position of the firm does not vary among markets, pursuing a global strategy may be worthwhile (Henzler and Rall 1986; Porter 1986). For example, if a company has a "leadership" position (in terms of market share) in both the U.S. and select overseas markets, other things being equal, it can successfully standardize its marketing strategy in all those countries.

In addition, if the firm competes with the same rivals, with similar share position, in different markets, standardization would be more likely (Copeland and Griggs 1985; Quelch and Hoff 1986). Therefore:

- P₅: The greater the degree of similarity in a firm's competitive position in different markets, the higher the degree of standardization.
- P₆: Competing against the same adversaries, with similar share positions, in different countries leads to greater standardization than competing against purely local companies.

Nature of Product

Studies on the subject show that standardization varies with the nature of the product. Two product aspects are relevant, *type of product* (i.e., industrial vs. consumer product) and *product positioning*.

Standardization is more feasible for industrial goods than for consumer goods (Bakker 1977; Boddewyn, Soehl, and Picard 1986). Among consumer goods, durables offer greater opportunity for standardization

than nondurables because the latter appeal to tastes, habits, and customs, which are unique to each society (Douglas and Urban 1977; Hovell and Walters 1972).

Empirical evidence in this matter comes from a recent study showing that industrial and high technology products (e.g., computer hardware, airliners, photographic equipment, heavy equipment, and machine tools) are considered most appropriate for global brand strategies. Confections, clothing, food, toiletries, and household cleaners are considered much less appropriate (Peterson Blyth Cato Associates, Inc. and Cheskin & Masten 1985). Briefly, if a product meets a universal need, it requires little adaptation across national markets and standardization is facilitated (Bartlett 1979; Levitt 1988). Corning Glass Works, for example, considered its electronic and medical products to be universal products that did not vary by country. They tended toward standardization in product policy, product development, and pricing. Corningware, in contrast, is not a universal product. It must be adapted to suit various market needs. For example, the "oven-to-freezer" feature has been very popular in the United States but was not appropriate in France; a souffle dish was popular in France but did not have a big market in the U.S. (Yoshino and Bartlett 1981).

"Positioning" refers to designing the product to fit a given place in the consumer's mind (Kotler 1984). If a product is positioned overseas by the same approach as at home, standardization would be feasible (Sorenson and Wiechmann 1975). Tang has been positioned in the United States market as an orange drink substitute, but not in France (where orange drink is not a breakfast staple), making standardization inappropriate (Grey Advertising, Inc. 1984). Phillip Morris, Inc., has been able to standardize Marlboro's marketing program because it has positioned the brand everywhere with the same emphasis, the Marlboro Country concept.

Future research can be planned around two propositions:

- P₇: Industrial and high technology products are more suitable for standardization than consumer products.
- P₈: Standardization is more appropriate when the home market positioning strategy is meaningful in the host market.

Environment

Global marketing decisions about product, price, promotion, and distribution are no different from those made in the domestic context. However, the environment within which these decisions are made is unique to each country. Hence differences in environment are an important concern affecting the feasibility of standardization (Britt 1974; Buzzell 1968; Cavusgil and Yavas 1984; Donnelly 1970; Donnelly and Ryans 1969;

Dunn 1976; Green, Cunningham, and Cunningham 1975). Operationally, four types of environments can be identified: *physical*, *legal*, *political*, and *marketing infrastructure*. (A fifth factor, culture, is also important, but it is examined under Market Position).

The *physical conditions* of a country (i.e., climate, topography, and resources) may affect standardization in various ways. In a hot climate, as in the Middle East, such products as cars and air conditioners require additional features for satisfactory performance (*World Business Weekly* 1981). Differences in the size and configuration of homes affect product design for appliances and home furnishings.

Different countries have different *laws* about product standards, patents, tariffs and taxes, and other aspects (Buzzel 1968; Hill and Still 1984; Kacker 1972; Rutenberg 1982). These laws may necessitate program adaptation. Pricing decisions commonly involve localization because pricing elements such as taxes vary among countries (Sorenson and Wiechmann 1975). Kacker's (1972, 1975) research showed that legal requirements forced a substantial proportion (45%) of the responding American firms operating in India to localize their products to meet pricing restrictions.

The perspectives of the *political environment* of a country may result in intervention in the affairs of foreign businesses. Political interference can be defined as a decision on the part of the host country government that forces a change in the operations, policies, and strategies of a foreign firm (Poynter 1980). Political intervention may invalidate standardization even in carefully chosen overseas markets (Vernon 1971). Doz and Prahalad's (1980) research showed that fear of political interference led many MNC affiliates to diversify into areas in which neither the parent nor the affiliate had core capabilities. Price guidelines in overseas markets may be based on political considerations rather than economic realities (Henley 1976).

The *marketing infrastructure* consists of the institutions and functions necessary to create, develop, and service demand, including retailers, wholesalers, sales agents, warehousing, transportation, credit, media, and more. The availability, performance, and cost of the infrastructure profoundly affect standardization (Bello and Dahringer 1985; Ricks, Arpan, and Fu 1979; Shimaguchi and Rosenberg 1979; Tajima 1973; Thorelli and Sentell 1982).

In terms of environmental factors, no two markets are exactly alike. However, the research question is, "What is the tolerable level of difference in physical, legal, and political environments and the infrastructure to permit standardization?" This question leads to the following propositions.

- P₉: The greater the difference in physical, political, and legal environments between home and host countries, the lower the degree of standardization.

- P₁₀: The more similar the marketing infrastructure in the home and host countries, the higher the degree of standardization.

Organization Factors

The preceding discussion explores the external imperatives that affect standardization. Examined in this section are the organizational aspects that create conditions for successful implementation of standardization strategy.

Effective standardization is accomplished through a tight linkage of the subsidiaries with the headquarters. The relevant factors are *corporate orientation*, *headquarters-subsidiary relationship*, and *delegation of authority*. The orientation of a company's managers toward the various aspects of doing business overseas includes such considerations as managers' attitudes toward foreigners and overseas environments, their willingness to take risks and seek growth in unfamiliar circumstances, and their ability to make compromises to accommodate foreign perspectives. Perlmutter (1969) has identified among international executives three primary orientations toward building multinational enterprises: ethnocentric (home-country-oriented), polycentric (host-country-oriented), or geocentric (world-oriented).

An organization having either an ethnocentric or a geocentric orientation is likely to standardize its program. However, in the former case the subsidiary managers may resist any sudden move toward increased standardization, considering it to be an imposition from headquarters. If the orientation is truly geocentric, however, a standardized program can be recommended without affecting the decision-making authority of the local managers. Geocentric perspectives provide flexibility sufficient to exploit standardization opportunities as they emerge and to react to unanticipated problems within the context of the overall corporate interest (Simmonds 1985). If country managers consider headquarters' approaches to be mutually beneficial, they are least likely to resist accepting them (Quelch and Hoff 1986).

The second organizational factor that influences standardization of marketing strategy is the headquarters-subsidiary relationship. In any organization, conflicts may arise between parent corporation and overseas subsidiaries because of their different points of view (Das 1981; Nowakoski 1982; Reynolds 1978; Sim 1977). If the conflict is excessive, it is likely to discourage program transfer. Opel, the German subsidiary of General Motors, is an example. Opel had developed into an independent organization that did things its own way. It developed its own product line and set its own policies. On every issue, Opel had an approach different from the parent's, making it difficult for General Motors to develop a *world car* using Opel as the base (Prahalad and Doz 1987).

An interesting research question that can be raised here is whether the conflict is likely to be within tolerable limits if the organization is geocentrically oriented. Indirect evidence shows that these factors may not be related. For example, Wind, Douglas, and Perlmutter (1973) concluded that international orientation alone does not appear to provide sufficient guidelines for developing international marketing policies.

The final organizational factor that influences the standardization of marketing strategy is the extent to which decision-making authority is delegated to the foreign subsidiaries (D'Antin 1971; Doz 1980). Marketing is a polycentric function that is deeply affected by local factors. Primary authority for international marketing decisions therefore is decentralized in favor of host country managers. Aylmer (1970) found that local managers were responsible for 86% of the advertising decisions, 74% of the pricing decisions, and 61% of the channel decisions, but product design decisions were made primarily by the parent organization. A similar study by Brandt and Hulbert (1977) substantiates Aylmer's findings. Thus, the product decision seems to offer the most opportunity for standardization.

Effective implementation of strategy suggests the following propositions.

- P₁₁: Companies in which key managers share a common world view, as well as a common view of the critical tasks flowing from the strategy, are more effective in implementing a standardization strategy.
- P₁₂: The greater the strategic consensus among parent-subsidiary managers on key standardization issues, the more effective the implementation of standardization strategy.
- P₁₃: The greater the centralization of authority for setting policies and allocating resources, the more effective the implementation of standardization strategy.

Standardization and Performance

In the final analysis, the decision on standardization should be based on economic payoff, which includes financial performance, competitive advantage, and other aspects. Concern for financial performance, in the context of standardization, has been expressed for a long time (Buzzell 1968; Keegan 1969). In recent years, Hout, Porter, and Rudden (1982), Rutenberg (1982), Levitt (1983), and Henzler and Rall (1986) have emphasized the scale effects that transcend national boundaries and provide cost advantages to companies selling to the world market. As a matter of fact, it is the concern for financial performance that has led researchers to stress one marketing decision area over others for standardization (Hovell and Walters 1972; Walters 1986). Though concern for financial perfor-

mance implications has been commonly expressed, few researchers have supported their viewpoint with hard data. Hence the topic affords an opportunity for future research.

The decision on standardization also should be examined for its impact on competition, measured in terms of competitive advantage that it may provide (Hamel and Prahalad 1985; Porter 1986; Robinson 1984). In addition to financial performance and competitive advantage, Walters (1986) recommends standardization for coherent international image, rapid diffusion of products and ideas internationally, and greater central coordination and control. Clearly, the topic of performance criteria in the realm of marketing program standardization has not been thoroughly examined and warrants new investigation (Buzzell 1968; Chase 1984; Hamel and Prahalad 1985; Hout, Porter, and Rudden 1982; Huszagh, Fox, and Day 1986; Keegan 1969; Levitt 1983; Rutenberg 1982).

Implications and Conclusions

A model for making the standardization decision is developed by synthesizing both theoretical and empirical works in marketing, international business, and strategic planning. A distinction is made between process and program standardization. Program standardization is proposed to be a function of several factors and can be reviewed with reference to product, price, promotion, and distribution decisions. The ultimate relevance of standardization depends on its real economic payoff. Previous research has focused primarily on program standardization, with emphasis on the product and advertising areas. A comprehensive framework such as the one proposed here has been lacking. This framework is likely to be useful in future studies in directing research attention to key variables and relationships.

The framework developed in this article has implications for domestic marketing decisions, as well as the actors involved in the standardization process—international corporate managers and subsidiary managers.

Domestic Marketing Decision Implications

What type of headquarters marketing perspective will help foster globalization? The framework discussed here can be used to seek answers to this question. For example, the propositions stated can be tested to determine whether a higher degree of similarity in competitive market shares offers greater opportunity for standardization. Likewise, one can test whether the similarity between markets (in development and conditions) is likely to lead to greater globalization.

An important aspect of standardization is the combination of common segments in different country

markets to designate the target market. How a firm should go about recognizing identical segments throughout the world, coalescing them, and then serving them as one market is an interesting research question.

Corporate Management Implications

The framework implies that corporate managers can influence certain variables to create a climate in which a greater degree of standardization would be feasible. These variables include (1) establishing a geocentric orientation in the organization (which is conducive to achieving standardization), (2) balancing the objectives of the headquarters and large affiliates (because the presence of the latter affords greater opportunity for standardization), (3) providing opportunities for an ongoing parent-subsidary dialogue for greater harmony (to avoid conflict between the two groups), and (4) encouraging an international outlook in general.

On a different level, corporate managers can reduce the detrimental effects of cultural differences between corporate and subsidiary marketing managers through a proper staffing/training system. For ex-

ample, marketing managers with international background can be hired at headquarters. Similarly, a common marketing program can be organized for managers from all over the world.

Implications for Subsidiary Managers

By conceptualizing standardization in terms of degree of involvement and information sharing in various stages of marketing decision making at headquarters, subsidiary managers can better understand their own role *vis-à-vis* the corporate managers. The proposed framework can be used to answer such questions as "Which group is most capable of providing authoritative information on what topics?" and "Which group should undertake what tasks?" Once respective areas of strength are established, the degree of standardization feasible in a particular case can be explored.

Instead of simply implying that multinational companies should aim at standardization, the framework helps in identifying the specific problem areas. Hence it should aid in resolving the controversy on the subject and provide a much-needed base for empirical research.

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