

## THE INTERNATIONAL STANDARDIZATION ISSUE REVISITED

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### ABSTRACT

U.S. international consumer goods companies are currently faced with the question of how much they should standardize their marketing strategies in markets around the world. In view of the growing importance of trade with Pacific Rim countries, this study provides empirical evidence and concludes that U.S. international consumer goods companies do standardize all or parts of their marketing strategies in Pacific Rim countries.

### PROBLEM

From the perspective of U.S. international consumer goods companies, the differences in market conditions between foreign markets are considerable. In the past, these differences in market conditions usually led U.S. multinationals to localize marketing strategy in each foreign market.

For a number of years, however, marketing decision-makers in international firms have been asking whether they could standardize various elements of their marketing strategies in markets around the world. The question of the extent to which they can standardize marketing strategy in each foreign market has continued to trouble marketing decision-makers and academicians alike, and has produced a wide array of different viewpoints.

### DISCUSSION

Beginning in the 1960's, several authors advocated a standardized approach to international marketing strategy. Robert D. Buzzell (1968) initiated the debate on the standardization issue by raising an important question: can you standardize international marketing strategy? Is it possible to use the same product, pricing, promotion, and distribution strategies in several international markets? It depends, he answered, on the strengths of barriers to standardization, and on the potential economic rewards for standardizing marketing strategy. Buzzell stated that many international firms have found real benefits in standardizing their marketing strategies in markets around the world. Levitt (1983) argued that companies must learn to operate as if the world were one large market, ignoring superficial regional and national differences, and that technology is driving the world toward commonality and that this is resulting in global markets for standardized consumer products. In a probing survey of 27 leading multinational consumer goods companies, Sorenson & Weichmann (1975) concluded that despite strong differences in market conditions between European countries, a number of firms engaged in cross-border standardization of marketing strategy.

On the other side of the standardization issue are several authors who advocate a non-standardized approach to international marketing strategy. Walters (1986), in his overview of the standardization debate, advised that a policy of standardized marketing strategy is unlikely to be viable for most firms operating in the international arena.

In view of the growing importance of trade with Pacific Rim countries and the obvious differences in geographic and cultural conditions between these countries, the purpose of this study is to further clarify the standardization debate by providing empirical evidence showing the extent to which and the conditions under which U.S. international consumer goods companies currently standardize their marketing strategies in Pacific Rim countries.

### Research Questions:

1. To what extent do U.S. international consumer goods companies standardize their marketing strategies in Pacific Rim countries?
2. What market conditions lead to either a high or low degree of standardization of marketing strategies by U.S. international consumer goods companies in Pacific Rim countries?

### DATA SOURCES

The data sources (population) for this research study consisted of forty U.S. international consumer goods companies that market food, soft drinks, soap-detergent-toiletries, and cosmetic/personal care products in two or more Pacific Rim countries: Japan, South Korea, Taiwan, Peoples Republic of China, Hong Kong, Indonesia, Malaysia, Philippines, Singapore, Thailand, Australia, New Zealand, and Sri Lanka.

### METHOD

This study was based on a non-probability convenience mail survey that analyzed in depth the marketing strategies of twelve U.S.-based international consumer goods companies marketing products in two or more Pacific Rim countries. The mail survey gathered data on the extent to which and the conditions under which U.S.-based international consumer goods companies standardize their marketing strategies in Pacific Rim countries.

In each company selected, the designated respondent filled out the survey questionnaire concerning marketing decisions covering one/two products marketed in two to six Pacific Rim countries. To measure the degree of standardization of marketing strategy, a number of paired country comparisons were gathered. Each respondent was asked to look at two countries at a time and to indicate how similar or different they thought marketing decisions were regarding each element of marketing strategy for each

product marketed in those two countries. Respondents rated the marketing decisions for each product/paired country comparisons on a six-point semantic differential scale ranging from "quite similar" (1) to "quite different" (6).

For two elements of market conditions, market share and nature of competition, hard data rather than subjective data were obtained. Similarity ratings based on data for each product and pair of countries on a scale of one to six were assigned by the researcher.

#### ANALYSIS OF DATA

Each pair of countries was treated as a statistical observation. The data were analyzed using a series of indexes depicting graphically the extent to which and the conditions under which respondent U.S.-based international consumer goods companies standardized their marketing strategies in Pacific Rim countries.

To determine the degree to which U.S.-based international consumer goods companies standardized their marketing strategies in Pacific Rim countries, similarity ratings for each respondent's product/paired country comparisons were combined to produce an index (Exhibit #1) that showed the percentage of each element of marketing strategy as well as total marketing strategy that fell into one of three categories: high standardization (ratings 1 & 2 on the scale), moderate standardization (ratings 3 & 4), or low standardization (ratings 5 & 6).

To determine the degree of cross-border similarity of market conditions, the similarity ratings for each respondent's product/paired country comparisons were combined to produce an index (Exhibit #2) that showed the percentage of each element of market conditions that fall into one of three categories: high similarity (ratings 1 & 2 on the scale), moderate similarity (ratings 3 & 4), or low similarity (ratings 5 & 6).

To determine both the extent to which and the conditions under which, U.S.-based multinationals standardize their marketing strategies in Pacific Rim countries, the combined standardization ratings for total marketing strategy were cross-tabulated with the combined similarity ratings for each element of market conditions (Exhibit #3).

#### RESEARCH ASSUMPTIONS

Research assumptions were based on the findings of the Sorenson & Wiechmann (1975) study previously cited:

1. That market conditions/environment (target market, use patterns, stage of Product Life Cycle, retail structure, availability of advertising media, marketing legislation, nature of competition, and market share position) will vary considerably from one Pacific Rim country to another.
2. That standardization of marketing strategy, such as product, pricing, promotion, and

distribution strategy, will generally be high regardless of how similar or dissimilar market conditions are from one Pacific Rim country to another.

3. That market share position and the nature of competition will not greatly affect the tendency to standardize marketing strategy in Pacific Rim countries.

#### FINDINGS

The findings of this study indicated that total marketing strategy tended to be highly standardized 85% of the time. However, some degree of variation in standardization was apparent when each element of marketing strategy was looked at separately (Exhibit #1).

Product strategy, which included product characteristics, brand name, and packaging, generally tended to be highly standardized between countries. Pricing strategy, which included retail price, wholesale price, discount/credit terms, and mark-up, tended to be considerably less standardized from country to country. While discounts and markups were considerably more standardized, retail and wholesale pricing tended to be much less standardized. Promotional strategy, which included the basic advertising message, creative expression, sales promotion, media allocation, roles of sales force, and approach used to manage sales force, tended to be highly standardized most of the time with the exception of media allocation which was much less standardized.

Cross-border similarity of market conditions received mixed ratings (Exhibit #2). Among those market conditions that were rated highly similar were target market, use patterns, stage of product life cycle, retail structure, nature of competition, and market share position. Market conditions that received low similarity ratings included availability of advertising media and marketing legislation.

When similarity ratings for each element of market conditions were cross-tabulated with the combined standardization ratings for total marketing strategy, the findings indicated that in most cases there was a high degree of correlation between market conditions that were rated highly similar from country to country and high standardization ratings for total marketing strategy (Exhibit #3). The one exception was market share position which indicated a considerably lower degree of marketing strategy standardization when market share position was rated highly similar from country to country. Conversely, when market conditions indicated a low degree of similarity from country to country, marketing strategy standardization ratings still indicated a high degree of standardization in over half the case.

### CONCLUSIONS

The basic conclusion of this research study is that despite considerable differences in market conditions between countries, U.S. multinationals do standardize all or parts of their marketing strategies in Pacific Rim countries. This conclusion appears to be consistent with the existing body of literature that advocates the use of standardized marketing strategies in international markets.

This overall trend toward standardization of marketing strategies by U.S. multinationals can be explained in the following ways:

1. A marketing strategy that has proven successful in one country can be transferred to another country with only minor modifications to allow for difference in market conditions.
2. A standardized marketing strategy helps establish a uniform worldwide image for the company's products. Within the Pacific Rim area, the increased flow of products, consumers, and advertising media would argue in favor of a standardized marketing strategy for many consumer products.
3. A standardization of marketing strategies can lead to significant savings in product design, packaging, sales promotions, advertising, and production costs.

### RECOMMENDATIONS

In view of the fact that many international consumer goods companies are standardizing their marketing strategies despite differences in market conditions, it is recommended that decision-makers in U.S. multinational companies continue to develop their ability to conduct cross-cultural/national analysis of market conditions. Such analysis can guide the decision to standardize marketing strategy where conditions are appropriate and to localize marketing strategy only where market conditions dictate.

### APPENDIX

EXHIBIT #1  
INDEX OF STANDARDIZATION OF MARKETING STRATEGY

Elements of Marketing Strategy	Total # of Paired Co.	% of Total # of Paired - Country Comparisons Showing Degree of Standardization
Total Marketing Strategy	260	7
Product characteristics	244	48
Brand Name	238	4
Packaging	237	18
Retail Price	241	47
Wholesale price	211	48
Discounts/Cr. Terms	241	16
Mark-Up	238	23
Basic Ad Message	248	17
Creative Expression	248	15
Sales Promotion	248	13
Media Allocation	248	40
Role of Sales Force	250	5
Approach Used to Manage Sales Force	250	4
Role of Middlemen	194	31
Type of Retail Cycle	228	11
Number of Middlemen	191	33




High Standardization   
 Medium Standardization   
 Low Standardization 

EXHIBIT #2

INDEX OF CROSS-BORDER SIMILARITY OF MKT CONDITIONS

Market Conditions	Total # of Paired Com.	% of Total Number of Paired - Country Comparisons Showing Degree of Similarity
Target Market	248	1
Use Patterns	258	10
Stage of Product Life Cycle	248	17
Retail Structure	222	82
Availability of Advertising Media	228	63
Marketing Legislation	248	48
Nature of Competition	248	7
Market Share Position	88	19







High Similarity   
 Moderate Similarity   
 Low Similarity 

Exhibit #2: Index of Cross - Border Similarity of Market Conditions

EXHIBIT #3

SIMILARITY OF MARKET CONDITIONS COMPARED WITH THE DEGREE OF STANDARDIZATION OF MARKETING STRATEGY

Marketing Conditions	# of Paired Country Compar.	Degree of Similarity Market Con.	% of Standardization of Total Marketing Strategy
Target Market	225	High	83
	19	Low	15
Use Patterns	212	High	9
	20	Low	1
Stage of Product Life Cycle	221	High	3
	18	Low	27
Retail Structure	122	High	3
	29	Low	7-10
Availability of Advertising Media	105	High	12
	2	Low	
Marketing Legislation	43	High	7
	88	Low	9-9
Market Share Position	51	High	69
	21	Low	35
Nature of Competition	203	High	3
	27	Low	48

High Standardization   
 Moderate Standardization   
 Low Standardization 

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