International Marketing Strategies; Standardization, Adaptation, and Contingency Approach

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Standardization and Adaptation remain debatable even after decades of research. Followers of Standardization approach stress that the managers should implement homogeneous strategies because markets across globe is homogenous and converging. Whereas, the supporters of adaptation argue that every market has its own characteristics and there are many factors which may influence the decision of a manager and marketing strategies should be designed accordingly. Both standardization and adaptation have some advantages and drawbacks as well. Contingency approach is a new concept emerged in recent decades. The exponents of this approach argue that the markets across the world are difference but may also have similar characteristic, therefore, managers should create a balance between standardization and adaptation and marketing strategies should be implemented according to the requirements of the specific market. The purpose of this research paper is to discuss how far standardization and adaptation debate has come over years and how using contingency approach companies can decrease or moderate the risks and increase the benefits.

Keywords: Standardization, Adaptation, Contingency Approach, Psychic Distance, Marketing Mix, 4Ps

INTRODUCTION

The world has become a global village and with the increase in globalization, companies are constantly working on making and implementing best strategies that can give them competitive advantage in foreign markets (Samiee and Roth, 1992). Standardization and adaptation have been discussed for decades but the findings concerning these issues are inconclusive. Some researchers are inclined towards standardization and some towards adaptation and suggest that marketing
program should be either standardized or adapted.

The concept of standardization was initially discussed with respect to advertising (Elinder, 1961; Fatt, 1964; Roostal, 1963) because it was the core debate of that time (Kanso and Kitchen, 2004). Though, standardization is researched for decades especially in last 40 years but mostly related to advertising and promotion (Levitt, 1983; Boddewyn et al., 1986; Kotler, 1986; Wind, 1986; Laroche et al., 2001; Cavusgil and Zou, 1994; Agarwal, 1995; Solberg, 2000). Buzzell (1968) started the formal research on this topic.

Another concept is emerged which argues that firm should design and implement their marketing strategies according to the requirements of market they are planning to move. Researchers believe that standardization and adaptation approaches are against the reality (Boddewyn et al., 1986; Douglas and Wind, 1987; cited by Theodosiou and Leonidou, 2003) and firms should design marketing strategies according to specific situations.

There are number of factors that affect a company’s decision to either adapt or standardize including environmental factors, market characteristics, consumer behavior, competitors, organizational and managerial factors (Jain, 1989). The proponents of Adaptation approach argue that it is very difficult to use standardized marketing strategies internationally and by using marketing strategies, firms can effectively and efficiently fulfill the requirements of international markets (Kashani, 1989; Thrassou and Vrontis, 2006).

The purpose of this research paper is to discuss how far standardization and adaptation debate has come over years and how using contingency approach companies can decrease or moderate the risks and increase the benefits. This theoretical paper is divided into four sections. First section consists of Introduction of the study, the second section contains literature review of all the three debates - standardization, adaptations, and contingency approach - in third section, a theoretical model is presented, and the last portion concludes the study.

**Terminologies**

There are no proper definitions of standardization and adaptation but Medina and Duffy’s (1998) stand out the most:

**Standardization**

“The process of extending and effectively applying domestic target-market-dictated product standards - tangible and/or intangible attributes- in a foreign environment” (Medina & Duffy, 1998: 228).

**Adaptation**

“The mandatory modification of domestic target-market-dictated product standards – tangible and/or intangible attributes – as to make the product suitable for foreign environmental conditions” in foreign market” (Medina & Duffy, 1998: 231).

**Contingency Approach**

This approach can be defined as “the process of standardizing and/or adapting or both, marketing strategies according to the situation that can give competitive advantage in international market.”

**Marketing Strategies**

Marketing Strategies consist of price, product, place, promotion (Kotler et al., 1999).

**Psychic Distance**

Psychic distance refers to the similarities or differences between home and foreign country. Such differences include culture, language, religion, education, legislation, politics, economic conditions, market structure, and business practices (Evans, 2010)

In today’s competitive world, innovation is considered as one of the main effective factors on the organizational survives. All organizations need new ideas for surviving. Emergence of organizational innovation enables organizations to achieve and maintain competitive advantage in comparison to their competitors (Dehghan Najm, 2009). Employees’ perception of fairness in employment is one of the main effective factors in emergence and development of organizational innovation and encouragement of employees to offer new ideas. This is why that the present study was aimed to investigate the effect of meritocracy of employees on organizational innovation.
LITERATURE REVIEW

Standardization

The school of thought that supports standardization argues that the world has become a global village and need and wants of people are homogenous (Cavusgil et al., 1993) irrespective of the place, region, income level, or even a country. They also argue that with the increased technology in communication and transportation, the global market is converging (Levitt, 1983) and the managers should develop their marketing strategies homogeneous and should be implemented without any change. Ohmae (1985) pointed out that in the triad of the USA, Japan, and Europe, the consumer has become a lot similar. Kotabe (1990) argues that by applying standardization approach, a firm can utilize its resources on product innovation. There are two main aspects of using standardization approach. First one is the drivers which make the standardization approach feasible, and the second aspect is the potential benefits are firm can gain by using this approach (Theodosiou & Katsikeas, 2001).

Standardization is perceived in different ways. It can mean the standard marketing strategies and programs globally (e.g. Samiee and Roth, 1992), or host country’s strategies are applied to a foreign environment (e.g. Cavusgil et al., 1993)

Followers of standardization approach claim that by practicing similar marketing strategies all over the world can give many benefits to firm including significant cost savings, consistency with customers, improved planning and distribution, greater control across national borders (Buzzell, 1968), and economies of scale in production and promotion (Levitt, 1983).

However, it is argued that implementing a standardized marketing strategy may not be feasible when there are differences in government regulations including requirement to meet environmental regulations, product safety standards, or local content requirements (Cavusgil et al., 1993; Wind, 1986). Marketers should also be very sensitive to the diverse cultures in foreign markets in order to sustain and flourish (Cateora, 1993; Ricks, 1983). Bennet (2008) observed that a firm which is using standardization approach has to face some limitations and it is assumed that;

- there are same needs of consumers worldwide
- after sales services can also be standardized
- there are larger markets irrespective of cultural differences
- international brand image also helps

Adaptation

The followers of adaptation suggest that there is no doubt, globalization has increased but there are some areas of marketing program that cannot be standardized. They argue that cost reduction is not the ultimate objective of a firm but to increase the sales (Onkvist and Shaw, 1990; Rosen, 1990; Whitelock and Pimblet, 1997; cited by Theodosiou and Leonidou, 2003). Although there have been a lot of arguments supporting the consumers increased homogeneity, empirical evidence suggests that consumers are becoming more diverse and complicated and they may not want to replace quality with price (Douglas and Wind, 1987).

Proponents of adaptation argue that there are number of factors (Jain, 1989; Cavusgil & Zou, 1994) including cultural difference, political and legal situation, customer characteristics, economic situation, managerial factors, etc. which are still very important and encourage companies to adapt marketing strategies (Cauvsgil et al., 1993). They support their arguments with benefits of adaptation.

By adapting the marketing strategies, the firm can;

- increase sales
- better satisfy the needs of foreign market
- compliance with local regulations
- easy entry in new markets within a country
- up-to-date products which lead to a strong customer relationships and loyalty

Though, using an Adaptation approach poses many benefits however, at the same time has some drawbacks as well. There are additional costs involved in promotional activities, duplication, limited product knowledge, and extra resources will be required (Bennet, 2008). Levitt & Aruminanes (1997) call supporter of standardization against the rules of modern...
marketing. Kotler and Armstrong (2008) in their book suggest that companies should follow “Think globally but act locally”. Bennet (2008) noted that managers have to take very important decision either to take the product internationally as it is or modify it according to the needs of the market. Product adaptation will be suitable where the following are taken into account:

- Significance differences in consumers’ needs and wants
- Intense competition, that leads any firm to gain competitive advantage
- Fulfill host country requirements such as packaging, technical and legal issues
- Other important factors like lifestyle, consumer behavior, buying power, and education, etc.

**Contingency Approach**

The proponents of contingency approach argue that both standardization and adaptation should not be kept in isolation and implemented as and where required (R. Zierfuss and A.M. Bergersen, 2005). The contingency approach is “situation-specific” (Albaum and Tse, 2001; Cavusgil and Zou, 1994; Jain 1989; Theodosiou and Leonidou, 2003) and firms should adapt or standardize the marketing strategies accordingly. Jain (1989) presented a simple model which suggested that there are number of variables that can influence the decision of managers to adapt or standardize. These factors include environment, individual characteristics, political situation, economy, etc.

Research shows that there are some instances where standardization approach didn’t give expected results or in some cases failed at all. Coca Cola’s advertisement campaign in Saudi Arabia gave totally different meanings to Arabs because they start reading from right to left.

It can be argued that contingency approach provide a guideline to managers to which extent they should standardize or adapt (Lemak and Arunthanes, 1997). By using a blend of adaptation and standardization strategies a firm can gain huge benefits as compared to what they could by using any one of these strategies. A balance between both strategies can help the companies in increasing the benefits and at the same time decreasing the risks.

By using contingency approach, firms can achieve following benefits:

- Competitive edge
- Customer orientated products
- Low cost and higher sales
- Better company-consumer relationship
- Greater control
- Compliance with local regulations
- Easy penetration
- Economies of scale

**DISCUSSION**

In current dynamic and vibrant environment, companies are facing huge challenges regarding standardization and adaptation of marketing strategies. Marketing strategies consist of product, price, place, and promotion (Kotler et al., 1999). Managers are also confused about going for cost reduction, gain economies of scale or make customer oriented strategies (R. Zierfuss and A.M. Bergersen, 2005)). There has been intensive research in the field of standardization and adaptation but the findings are inconclusive. The extent to which a company should adapt or standardize is still debatable.

Research shows that product (Buzzell, 1968; Keegan, 1969; Sommers and Kernan, 1967; cited by Kustin, 2004) and advertising (Elinder, 1961) are more prone to change and because of this nature are called the foundation of standardization adaptation. On the other hand, price and distribution are situation specific and change according to the market’s economic situation, local competition and consumer habits (R. Zierfuss and A.M. Bergersen, 2005). Empirical evidence shows that pricing is highly adaptable. Study concludes that markets where psychic distance is low, marketing strategies can be standardize (Sousa & Bradley, 2007).

However, is it observed that where the products are of technical nature, a standardized product and advertising approach is used. Pricing of a product depends upon the economy of the market and purchasing power.

It is still inconclusive that what strategies managers should or shouldn’t use. Every situation
should be critically analyzed and develop marketing strategies accordingly. Firms which adapt strategies gain competitive advantage. Managers should stay in the middle of the road and avoid both extremes (R. Zierfuss and A.M. Bergersen, 2005). Factors which influence the marketing strategies to be either adapted or standardized need to be research further. No two people are same and cultures vary. There may be many cultures within one market so, how is it possible that all are treated in a similar fashion. However, it may be possible that marketing strategies for expatriates can be completely standardized because of the low psychic distance. Government and political factors also influence managers decisions to adapt of standardize. Economy of a country and purchasing power are also very important factors.

There is still a lot of room left for further research on this topic. Companies should avoid any extreme and stay on a continuum. How a firm can survive in a foreign market? “Buy applying a contingent approach” maybe the answer. Standardization and adaptation should not be isolated and used as the situation demands. That way a company can build a strong customer-company relationship as well as gain competitive edge.

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