

Standardized Versus Localized Strategy: The Role of Cultural Patterns in Society on Consumption and Market Research

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Abstract

Many companies are realizing that industry competition has moved past being only domestic approach to a global approach. Hence, when a competitive analysis is prepared, it is not sensible for businesses to limit the analysis to just a domestic approach. Corporations need to prepare competitive analysis with a global understanding and global scale. The author reveals that the prevailing literature on international marketing presents two key schools of thought on how international marketing should be performed. In addition, part of this paper will discuss these two phenomena, which are specifically standardization and localization. This paper discusses the advantages and disadvantages of both approaches for both the corporation and customers and discusses a strategy which would enable companies to take advantage of both phenomena and minimize the impact of the particular disadvantages. Furthermore, the author discusses the significance of having a profound appreciation of various markets and the degree cultural patterns have on consumption, as well as approaches on how to conduct effective marketing research.

Keywords: Marketing; Standardized and localized strategies; Cultural; Society; Market research; International market

Introduction

The discussion on globalization versus Localization has been raging for over four decades and it appears to be far-from-over [1]. From this discussion, numerous international marketing strategies have emerged with Standardization and Localization seeming as the two main polarizing points of view [1], this gives marketers opposing approaches to the task of entering and serving foreign markets [2].

Levitt, a forerunner in this debate argued that Corporations had to learn to operate as if the world were one great market disregarding superficial regional and national boundaries. He further proclaimed that well managed corporations had to move from customizing products to offering universally standardized products [3].

However, other researchers argued that markets continue to be diverse in spite of the forces of globalization, and that variances in customer needs continue to persevere even within the global market [4]. In addition, there are too much dissimilarity between countries and too many restrictions in different markets for a standardized approach to be possible [5]. In that respect, international managers may need to tailor the method they use to each component of the business system and marketing program. This may necessitate a manufacturer to market the same product under different brand names in different countries or market the same products using different product formulas [4].

This paper studies the differences between standardization and localization with their particular advantages and disadvantages, the role of cultural patterns in society and their impact on consumption behaviour as well as, how research should ensue upon entry into a new market.

Many researchers argued that academics have presented many different definitions to describe standardization and localization, with some terms being used interchangeably (i.e., globalization/standardization and localization/customization/adaptation). Vrontis and Thrassou argued that international corporations with the aim to grow their business practices, increase profitability and overcome any difficulties related to the capacity of existing markets and increase their operations to overseas markets [6]. They suggested that, when a

corporation chooses to initiate marketing products overseas, a central strategic decision to make is whether to standardize their strategy or localize their strategy through a solitary marketing strategy in all countries or whether to change the marketing mix and strategies to fit the distinctive qualities of each regional market.

Standardization

Researchers postulate that the world is observing a homogenization of markets allowing for standardized strategies [7]. Medina et al. defined standardization as “the process of encompassing and successfully applying domestic target-market-dictated product standards - tangible and/or intangible attributes - to markets in foreign environments.” Levitt argued that supporters of standardization claim that it has emerged from greater marketing incentives, forward-thinking technology, and communication, convergence of consumer needs and preferences and increasing global rivalry [3].

Advantages of standardization: Standardization as a global marketing strategy, which has a number of advantages that make it an attractive option for many global companies [8]. These advantages are: economies of scale, transfer of experience, uniform global image and easier control and coordination as discussed by Katsikeas, Samiee and Theodosious.

1. Economies of scale: Marketing standardized products allows companies to attain significant competitive edge over nationally oriented companies. The result is large-scale production and marketing of the standardized products. This is achieved through the production of large quantities of the standardized product, which results in lower

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overheads and higher profits [3].

2. Transfer of experience: Standardization leads to enhanced integration and coordination of marketing activities across different international markets. This in turn facilitates transfer of knowledge and experience developed in one international market to another [9].

3. Uniform global image: Since standardization includes the use of constant product dynamics, service, advertising and so on, this serves to project a uniform global image. A good example is Coca-Cola Company, which uses the same bottle, logo, colour, and same taste for its global brand [1].

4. Easier control, monitoring, and coordination: Standardization likewise leads to easier control, monitoring, and coordination since the same product and advertising strategies are used. This makes it easier to implement the same quality standards, production methods, as well as the brand awareness. It will also facilitate the sharing of ideas and best practices [10].

Disadvantages of standardization: Regardless of the many obvious advantages of standardized strategy, standardization may lead to low sales when it is inconsistent with the environment in the host market [10]. Wind identified three critiques of standardized strategy among them; that standardized products are over-designed for some countries and under-designed for others, it can undermine the company's existing networks, and standardization can diminish entrepreneurial and creative spirits within the corporation. Some of those disadvantages include;

1. Governmental and trade restrictions: Government regulations and trade restrictions occasionally limit the degree to which a company might attempt to standardize its products. For example, local tariff or other trade barriers, product, pricing or promotional rules, not to mention the existence of alliances, may frequently obstruct marketing of a standardized product line or identical pricing and promotion [2].

2. The nature of the marketing infrastructure: Different countries and regions are at different phases of development which means variances in the marketing infrastructure from one nation to another. This frequently hampers the use of standardized strategy throughout those countries and regions. Likewise, the type of media accessible as well as their reach and usefulness differs from country to country [2].

3. Differences in customer interests and response patterns: Customers habitually differ significantly from one country to another or one region to another in their interests, preferences, and response patterns. Failure to comprehend and consider such differences has frequently led to ineffective efforts in the standardization process [4].

4. The nature of the competitive structure: Variations in competitive condition from one country to another might also suggest the desirability of adapting strategy [2]. The presence of low-cost local competition in some countries may, for example suggest lowering of prices to meet competitors' prices [5].

5. Case of Multi product: The argument in favour of standardization assumes that corporations deal with only one product, which is regularly not the case since most worldwide companies deal with multiple businesses. Therefore, in developing plans for a given product or product-line, it is vital to consider interaction or interdependence with other product-lines not only in relation to marketing actions, but also all operations, i.e., sourcing, production, management, financing [7].

Localization

The Localization Industry Standards Association (LISA) describes localization as follows: "Localization involves the alteration of any aspect of a product or service that is needed for a product to be sold or used in another market." Adaptation and customization are two other terms that have been used interchangeably to propose localization in one form or another [11]. Adaptation and customization are the opposite of standardization. The author proposes that localization is the general concept under which both adaptation and customization are characterized [1]. However, Medina et al. define adaptation and customization as two distinctive strategies. Adaptation is described as "the mandatory alteration of domestic target market-dictated product standards – tangible and/or intangible qualities – as to make the product appropriate to foreign environmental conditions". While, customization, is described as "the optional modification of domestic target-market-dictated product standards, tangible and intangible characteristics, as to make it economically and culturally appropriate to foreign customers". Both of them discuss alteration to suit domestic or target markets, which is precisely what localization is about [8]. The key difference between these two meanings, which is certainly a significant factor, is the fact that one is mandatory and the other is discretionary.

Why companies localize: The essentials of localization is that the marketer is subject to a new set of macro-environmental influences and different constraints such as language, climate, race, occupations, education, and frequent conflicts resulting from different laws, cultures, and societies which need to be taken into account when outlining the marketing strategy [12]. It is apparent that people in different countries speak different languages; rules and regulations differ across state borders; majority countries drive on the right, however some drive on the left. The author determines that these differences clearly affect consumption preferences and patterns.

Advantages of localization: According to Cavusgil et al. [7], devotees of localization believably advocate that differences in culture, economical and market growth, political and legal structures, and customer values and lifestyle are consequently significant, that products have to be localized to the different markets in order to thrive. Some of the more obvious advantages of localization are:

1. Responsiveness to local needs: Advocates of the localization strategy point out that, since few markets are exactly alike, some adaptation to local needs is essential to minimize sales [11].

2. Expedited local business development: Localization lets companies rapidly and aggressively deal with local competition while the global brand recognition is still in its initial development [2]. Although this method rarely offers economies of scale for the global firm, it enables local service and accelerated local business development [1].

3. Increased income and market share: Localization aims to increase revenue and market share by resourcefully focusing on customers in a new specific and unique market [10].

The disadvantages of the localized strategy: The advantages discussed above might-as-well be the disadvantages of the localized strategy when looked at in the opposite direction. A brief discussion of these disadvantages follows below:

1. Lack of transfer of experience or knowledge: Localization of products and marketing elements limits the transfer of knowledge and experience developed in one country or market to another thus slowing

development and occasionally leading to wastage of resources [4].

2. Absence of economies of scale: Marketing localized products denies companies the opportunity to take advantage of the economies of scale, which results from the large-scale production and marketing of the standardized products. This localization comes with extra costs that could be evaded in case of standardized products [8].

3. Limited control: Localization makes it tougher to control and coordinate an international company's functions since different products and promotional campaigns are used [11]. This makes it even harder to apply the same product quality standards, production procedures, as well as brand awareness [4].

4. Global image challenges: Since localization encompasses the use of customized product dynamics, service, advertising etc... in order to meet distinctive customer needs and preferences, this limits the extent to which a uniform global image can be achieved [4].

The role of cultural patterns in society and their effects on consumption

Culture is the system of values and norms that are shared amongst a group of people [13]. Culture contains systems of values and values are in turn amongst the building blocks of culture (Hofstede & Bond, 1988). As such, cultural patterns apply great influence on consumption, which makes it a critical factor to consider when formulating a marketing strategy in order to avoid conflict with the target market's culture [4]. In every market segment, some degree of cultural exceptionality in norms, prohibitions, belief systems, traditions etc..., are exhibited which unavoidably reflects on the people's consumption behaviour [14]. Cultural patterns will either favour or encourage or disfavour and discourage the consumption of certain products [13]. Some aspects of culture such as religion, which can affect people's habits, their outlook on life, products they buy, and even the media they are exposed to [4].

For example, Cateora and Graham recorded that the Radio Shack Company suffered difficulties when it ignored the host community customs by mistakenly assuming no variations exist between people of United States and Europe, maybe because both are westernized. In the Netherlands, the same company lost Christmas sales because it focused its marketing efforts on December 25 whereas holiday gifts are exchanged on 6th of December.

Market research before entering a new international market

The upsurge in world trade, increased integration of world economies, and the forward march of globalization, all mean that decisions on standardization and adaptation of marketing strategies will continue to be a significant issue for academic researchers and marketers [8]. Given the significance of cultural factors in the international environment, it is critical that culture be well understood in order to achieve success in global marketing strategies [2].

When entering a new market; a firm's research efforts must be focused on the role of culture in the localization or standardization of a marketing strategy, as well as the exact elements of the marketing mix that need to be standardized or localized in each market [9].

Exhaustive research ought to be carried out in relation to differences in language; distribution facilities; retail structure; climate; guidelines leading marketing, cultural features (colour, restrictions, history, political make-up, religion and education) before embarking on a broad standardization of the elements of the marketing mix [7].

Due to the huge cultural differences in different regions and

countries, Van Mesdag claims that, "it is sensible to assume that everything in the foreign market has to be done differently from the way it is done in the home market, unless hard proof to the contrary can be attained". This calls for market specific research before going into different markets with the standardization strategy [15].

Marketing research can be defined as the systematic study and evaluation of all issues bearing on any business operation relative to marketing of goods and services. Understandably, marketing research originates before production starts, in fact, even before the factory is built or the plant is set-up, and continues as long as the business remains in operation. Hamersveld states that some academics also call "market research" "market intelligence" and it incorporates market research surveys; information about clients held within organizations' knowledge management systems (KMS); the examination of market trends; and competitor analysis. Though marketing research is instrumental in the solution of business and marketing difficulties, it is by no means a substitute for sound business judgment based on knowledge, experience, or even instinct. It eradicates or reduces guesswork by providing facts and throwing light on the areas in question. Impartiality is at the heart of marketing research. Hamersveld also underlines the significance of market research by stating that most marketing decisions will benefit from the gathering of information, which comes from important sources such as market research. Both profit and non-profit making organisations constantly need to monitor the shifting views of different stakeholders such as organisation's current or potential customers; employees; contractors; those working in supervisory bodies; and individuals from related areas.

Conclusion

A successful future global marketing strategy will be the one that aims at standardizing some components of the marketing mix across the world, while customizing others. The precise approach will be to identify the various value chain actions within the marketing function and decide which of these can be accomplished on a global basis and which can be localized. Some marketing activities may be open to a uniform global approach while others may involve a great degree of customization. Even within a given activity, parts can be globalized and others completed locally [4].

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