The Myth of Globalization

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Considerable controversy has arisen in recent years concerning the most appropriate strategy in international markets. It has been cogently argued that a strategy of global products and brands is the key to success in international markets. This paper examines critically the key assumptions underlying this philosophy, and the conditions under which it is likely to be effective. Barriers to its implementation are highlighted. Based on this analysis, it is proposed that global standardization is merely one of a number of strategies which may be successful in international markets.

IN RECENT YEARS, globalization has become a key theme in every discussion of international marketing strategy. Proponents of the philosophy of 'global' products and brands, such as professor Theodore Levitt of Harvard, and the highly successful advertising agency, Saatchi and Saatchi, argue that in a world of growing internationalization, the key to success is the development of global products and brands, in other words, a focus on the marketing of standardized products and brands worldwide (Levitt 1983). Others, however, point to the numerous barriers to standardization, and suggest that greater returns are to be obtained from adapting products and marketing strategies to the specific characteristics of individual markets (Fisher 1984, Kotler 1985, Vedder 1986).

The growing integration of international markets as well as the growth of competition on a worldwide scale implies that adoption of a global perspective has become increasingly imperative in planning marketing strategy. However, to conclude that this mandates the adoption of a strategy of universal standardization appears naive and oversimplistic. In particular, it ignores the inherent complexity of operations in international markets, and the formulation of an effective strategy to penetrate these markets. While global products and brands may be appropriate for certain market and in targeting certain segments, adopting such an approach as a universal strategy in relation to all markets may not be desirable, and may lead to major strategic blunders. Furthermore, it implies a product orientation, and a product-driven strategy, rather than a strategy grounded in a systematic analysis of customer behavior and response patterns and market characteristics.

The purpose of this paper is thus to examine critically the notion that success in international markets necessitates adoption of a strategy of global products and brands. Given

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the restrictive characteristic of this philosophy, a somewhat broader perspective in developing global strategy is proposed which views standardization as merely one option in the range of possible strategies which may be effective in global markets.

The paper is divided into four parts. First, the traditional perspective on international marketing strategy focusing on the dichotomy between "standardization" and "adaptation" is reviewed. The second part examines the key assumptions underlying a philosophy of global standardization, as well as situations under which this is likely to prove effective. In the third part, the constraints to the implementation of a global standardization strategy are reviewed, including not only external market constraints, but also internal constraints arising from the structure of the firm's current operations. Finally, based on this review, a more general approach is suggested, enabling consideration of a range of alternative strategies incorporating varying degrees of standardization or adaptation.

THE TRADITIONAL PERSPECTIVE ON INTERNATIONAL MARKETING STRATEGY

Traditionally, discussion of international business strategy has been polarized around the debate concerning the pursuit of a uniform strategy worldwide versus adaptation to specific local market conditions. On the one hand, it has been argued that adoption of a uniform strategy worldwide enables a company to take advantage of the potential synergies arising from multi-country operations, and constitutes the multinational company's key competitive advantage in international markets. Others however, have argued that adaptation of strategy to idiosyncratic national market characteristics is crucial to success in these markets.

Fayerweather (1969) in his seminal work in international business strategy described the central issue as one of conflict between forces toward unification and those resulting in fragmentation. He pointed out that within a multinational firm, internal forces created pressures toward the integration of strategy across national boundaries. On the other hand, differences in the sociocultural, political and economic characteristics of countries as well as the need for effective relations with the host society, constitute fragmenting influences which favor adaptation to the local environment.

This theme has been elaborated further in subsequent discussions of international business strategy. Doz (1980) for example, characterizes the conflict as one between the requirements for economic survival and success, (the economic imperative), and the adjustments to strategy made necessary by the demands of host governments, (the political imperative). Economic success or profitability in international markets is viewed as contingent on the rationalization of activities across national boundaries.

The political imperative, on the other hand, implies a strategy of "national responsiveness" foregoing potential benefits of global integration and allowing local subsidiaries substantial autonomy to develop their own production policies and strategy. A third alternative, "administrative coordination" is, however, postulated. In this case, each strategic decision is made on its own merits, allowing flexibility either to respond to pressures for national responsiveness or alternatively to move towards worldwide rationalization.

Recent discussion of global competitive strategy (Porter 1980, 1985) echoes the same theme of the dichotomy between the forces which have triggered the globalization of markets and those which constitute barriers to global competition. Factors such as economies of scale in production, purchasing, faster accumulation of learning from operating worldwide, decrease in transportation and distribution costs, reduced costs of product adaptation and the emergence of global market segments have encouraged competition on a global scale. However, barriers such as governmental and institutional constraints, tariff barriers and duties, preferential treatment of local firms, transportation costs, differences in customer demand, etc., call for nationalistic or "protected niche" strategies.

Similar arguments have characterized the debate concerning uniformity vs. adaptation of marketing and advertising strategies. In this context, greater attention has generally been focused on barriers to standardization (Buzzell 1968, Elinder 1964). Differences in customer behavior and response patterns, in local competition, in the nature of the marketing infrastructure, as well as government and trade regulation have all been cited as calling for, and in some cases rendering imperative, the adaptation of products, advertising copy, and other aspects of marketing policy (Miracle 1968, Dunn 1966, Donnelly and Ryans 1969, Ryans 1969). Yet, some advocates of a uniform or standardized strategy worldwide, especially in relation to advertising copy, have emerged—who point to a growing internationalization of life-styles, and increasing homogeneity in consumer interests and tastes (Britt 1974, Fatt 1967, Boote 1967, Killough 1978). They have, for example, noted benefits such as development of a consistent uniform image with customers worldwide, improved planning and control, exploitation of good ideas on a broader geographic scale, as well as potential cost savings.

Compromise solutions such as "pattern standardization" have also been proposed (Peebles, Ryans and Vernon 1978). In this case, a global promotional theme or positioning is developed, but execution is adapted to the local market. Similarly, it has been pointed out that even where a standardized product is marketed in a number of countries, its positioning may be adapted in each market (Keegan 1969). Conversely, the positioning may be uniform across countries, but the product itself adapted or modified.

Although this debate first emerged in the 1960s, it has recently taken on a new vigor with the widely publicized pronouncements of proponents of "global standardization" such as professor Levitt and Saatchi and Saatchi. Levitt, for example, in his provocative article (1983) stated:

> "A powerful force (technology) now drives the world toward a single converging commonality. The result is a new commercial reality—the explosive emergence of global markets for globally standardized products, gigantic world-scale markets of previously unimagined magnitudes.
>
> Corporations geared to this new reality generate enormous economies of scale in production, distribution, marketing, and management. When they translate these into equivalently reduced world prices, they devastate competitors that still live functionally in the disabling grip of old assumptions about how the world now works."

The sweeping and somewhat polemic character of this argument has sparked a number of counterarguments as well as discussion of conditions under which such a strategy may be most appropriate. It has, for example, been pointed out that the potential for standardization may be greater for certain types of products such as industrial goods or luxury personal items targeted to upscale consumers, or products with similar penetration rates (Huszagh, Fox, and Day 1985). Opportunities for standardization are also likely to occur more frequently among industrialized nations, and especially the Triad countries where customer interests as well as market conditions are likely to be more similar than among developing countries (Hill and Still 1983, Huszagh, Fox, and Day 1985, Ohmae 1985).

The role of corporate philosophy and organizational structure in influencing the practicality of implementing a strategy of global standardization has also been recognized (Quelch and Hoff 1986). Here, it has been noted that few companies pursue the extreme position of complete standardization with regard to all elements of the marketing mix, and business functions such as R and D, manufacturing, and procurement in all countries throughout the world. Rather, some degree of adaptation is likely to occur relative to certain aspects of the firm's operations or in certain geographic areas. In addition, the feasibility of implementing a standardized strategy will depend on the autonomy accorded to local management. If local management has been accustomed to substantial autonomy, considerable opposition may be encountered in attempting to introduce globally standardized strategies.

An examination of such counterarguments suggests that there are a number of dangers in espousing a philosophy of global standardization for all products and services, and in relation to all markets worldwide. Furthermore, there are numerous difficulties and constraints to implementing such a strategy in many markets, stemming from external market conditions (such as government and trade regulation, competition, the marketing infrastructure, etc.), as well as from the current structure and organization of the firm's operations.

The rationale underlying the philosophy of global products and brands is next examined in more detail, together with its inherent limitations.

THE GLOBAL STANDARDIZATION PHILOSOPHY: THE UNDERLYING ASSUMPTIONS

An examination of the arguments in favor of a strategy of global products and brands reveals three key underlying assumptions:

1. customer needs and interests are becoming increasingly homogeneous worldwide.
2. people around the world are willing to sacrifice preferences in product features, functions, design and the like for lower prices at high quality.
3. substantial economies of scale in production and marketing can be achieved through supplying global markets.

(Levitt 1983)

There are, however, a number of pitfalls associated with each of these assumptions. These are discussed here in more detail.

Homogenization of the World Wants

A key premise of the philosophy of global products is that customers' needs and interest are becoming increasingly homogeneous worldwide. But while global segments with similar interests and response pattern may be identified in some product markets, it is by no means clear that this is a universal trend. Furthermore, there is substantial evidence to suggest an increasing diversity of behavior within countries, and the emergence of idiosyncratic country-specific segments.

Lack of Evidence of Homogenization

In a number of product markets ranging from watches, perfume, handbags, to soft drinks and fast foods, companies have successfully identified global customer segments, and developed global products and brands targeted to these segments. These include such stars as Rolex, Omega and Le Baume & Mercier watches, Dior, Patou or Yves St. Laurent perfume. But while these brands are highly visible and widely publicized, they are often, with a few notable exceptions, such as Classic Coke or McDonalds targeted to a relatively restricted upscale international customer segment (Ohmae 1985).

Numerous other companies, however, adapt lines to idiosyncratic country preferences, and develop local brands or product variants targeted to local market segments. The Findus frozen food division of Nestle, for example, markets fish cakes and fish fingers in the UK, but beef bourguinon and coq au vin in France, and vitello con funghi and braviola in Italy. Their line of pizzas marketed in the UK includes cheese with ham and pineapple topping on a French bread crust. Similarly, Coca-Cola in Japan markets Georgia, cold coffee in a can, and Aquarius, a tonic drink, as well as Classic Coke and Hi-C.

Growth of Intra-Country Segmentation Price Sensitivity

Furthermore, there is a growing body of evidence which suggests substantial heterogeneity within countries. In the US, for example, the VALS study has identified nine value segments (Mitchell 1983), while other studies have identified major differences in behavior between regions and subcultural segments (Kahle 1986, Garreau 1981, Wallendorf and Reilly 1983, Saegert, Moore & Hilger 1985). Lifestyle approaches such as the Yankelovitch Monitor (Beatty 1985) or the customized AIO approach (Wells 1975) have also identified different lifestyle segments both generally, and relative to specific product markets.

Many other countries are also characterized by substantial regional differences as well as different lifestyle and value segments. The Yankelovitch Monitor and AIO approaches have, for example, been applied in a number of countries throughout the world (Broadbent and Segnit 1973, the RISC Observer No. 1 & 2, 1986). In some cases, this has resulted in the identification of some common segments across countries, but country-specific segments have also emerged (Douglas and Urban 1977, Boote 1982/3). Lifestyle segmentation studies conducted by local research organizations in other countries also reveal a variety of lifestyle profiles (Hakuhodo 1985).

Similarly, in industrial markets, while some global segments, often consisting of firms with international operations can be identified, there also is considerable diversity within and between countries. Often local businesses constitute an important market segment and, especially in developing countries, may differ significantly in technological sophistication, business, philosophy and strategy, emphasis on product quality, and service and price, from large multinationals (Hill and Still, 1984, Chakrabarti, Feinman and Fuentivilla, 1982).

The evidence thus suggests that the similarities in customer behavior are restricted to a relatively limited number of target segments, or product markets, while for the most part, there are substantial differences between countries. Proponents of standardization counter that the international marketer should focus on similarities among countries rather than differences. This may, however, imply ignoring a major part of a local market, and the potential profits which may be obtained from tapping other market segments.

Universal Preference for Low Price at Acceptable Quality

Another critical component of the argument for global standardization is that people around the world are willing to sacrifice preferences in product features, functions, design and the like, for lower prices assuming equivalent quality. Aggressive low pricing for quality products which meet the common needs of customers in markets around the world is believed to further expand the global markets facing the firm. Although an appealing argument, this has three major problems.

Lack of Evidence of Increased

Evidence to suggest that customers are universally willing to trade-off specific product features for a lower price is largely lacking. While in many product market there is invariably a price sensitive segment, there is no indication that this is on the increase. On the contrary, in many product and service markets, ranging from watches, personal computers, household appliances, to banking and insurance, an interest in multiple product features, product quality and service appears to be growing.

For example, findings from the PIMS project overwhelmingly suggest that product quality is the driving force behind successful marketing strategies not only in the US, but also in other developed countries (Douglas and Craig 1983, Gale, Luchs and Rosenfeld 1986). In industrial markets insofar as global market segments consist of multinational corporations, they may be more concerned with the ability to supply and service their operations worldwide than with the price. Similarly, in consumer markets where global market segments consist of upscale affluent customer, they are likely to look for distinctive prestige, high quality products such as Cartier watches and handbags and Godiva chocolates. Consequently, it is arguable that world customers are less price sensitive than other customers.

Low Price Positioning is a Highly Vulnerable Strategy

Also, from a strategic point of view, emphasis on price-positioning may be undesirable especially in international markets, since it offers no long-term competitive advantage. A price positioning strategy is always vulnerable to new technological developments which may lower costs, as well as to attack from competitors with lower overhead, and lower operating or labor costs. Government subsidies to local competitors may also undermine the effectiveness of a price-positioning strategy. In addition, price-sensitive customers typically are not brand or source loyal.

Standardized Low Price Can be Overpriced in Some Countries and Underpriced in Others

Finally, a strategy based on a combination of a standardized product at a low price, when implemented in countries which vary in their competitive structure, as well as the level of economic development, is likely to result in products which are overdesigned and overpriced for some markets and underdesigned and underpriced for others. There is, for example, substantial evidence to suggest that where markets in developing countries are price sensitive, a strategy of product adaptation and simplification may be the most effective (Hill and Still 1984). Cost advantages may also be negated by transportation and distribution costs as well as tariff barriers and/or price regulation (Porter 1980, 1985).

Economies of Scale of Production and Marketing

The third assumption underlying the philosophy of global standardization is that a key force driving strategy is product technology, and that substantial economies of scale can be achieved by supplying global markets. This does, however, neglect three critical and interrelated points: (a) technological developments in flexible factory automation enable economies of scale to be achieved at lower levels of output and do not require production of a single standardized product, (b) cost of production is only one and often not the critical component in determining the total cost of the product, and (c) strategy should not be solely product-driven but should take into account the other components of a marketing strategy, such as positioning, packaging, brand name, advertising, P.R. consumer and trade promotion and distribution.

Developments in Flexible Factory Automation

Recent developments in flexible factory automation methods have lowered the minimum efficient scale of operation and have thus enabled companies to supply smaller local markets efficiently, without requiring operations on a global scale. However, diseconomies may result from such operations due to increased transportation and distribution costs, as well as higher administrative overhead, and additional communication and coordination costs.

Furthermore, decentralization of production and establishment of local manufacturing operations enables diversification of risk arising from political events, fluctuations in foreign exchange rates, or economic instability. Recent swings in foreign exchange rates, coupled with the growth of offshore sourcing have underscored the vulnerability of centralizing production in a single location. Government regulations relating to local component and/or offset requirements create additional pressures for local manufacturing. Flexible automation not only implies that decentralization of manufacturing and production may be cost-efficient but also makes minor modifications in products of models in the latter stages of production feasible, so that a variety of model versions can be produced without major retooling. Adaptations to product design can thus be made to meet differences in preferences from one country to another without loss of economies of scale.

Production Costs are Often a Minor Component of Total Cost

In many consumer and service industries, such as cosmetics, detergents, pharmaceuticals, or financial institutions, production costs are a small fraction of total cost. The key to success in these markets is an understanding of the tastes and purchase behavior of target customers distribution channels, and tailoring products and strategies to these rather than production efficiency. In the detergent industry, for example, mastery of mass-merchandising techniques, and an effective brand management system is typically considered the key element in the success of the giants in this field, such as Procter and Gamble (P&G) or Colgate-Palmolive.

For many products the establishment of an effective distribution network is often of prime importance in penetrating international markets. This is particularly the case for consumer products in countries where the absence or limited reach of mass-communication channels such as TV or magazines preclude the use of "pull" strategies. Distribution may also be crucial for products such as argicultural machinery, which require extensive after-sales service and maintenance. Furthermore, for some companies such as Avon with their Avon sales ladies network, or direct marketing insurance companies, distribution may constitute the crux of their marketing strategy and be a major component of their costs.

In these cases, the potential for scale economies arising from a standardization of operations may be negligible or non-existent. In some instances, greater efficiency in operational systems and procedure may result from experience in multiple country market environments, but as also noted previously, there may also be significant scale diseconomies.

The Standardization Philosophy is Primarily Product Driven

The focus on product and brand related aspects of strategy in discussions of global standardization is misleading since it ignores the other key marketing strategy variables. Strategy in international markets should also take into consideration other aspects of the marketing mix, and the extent to which these are standardized across country markets rather than adapted to local idiosyncratic characteristics. Thus, not only should the effectiveness of using standardized positioning strategy promotional and advertising campaigns be considered, but a standardized distribution systems and uniforming pricing should be considered as well. There are, however, often formidable barriers to such a strategy which will be discussed subsequently.

REQUISITE CONDITIONS FOR GLOBAL STANDARDIZATION

The numerous pitfalls in the rationale underlying the global standardization philosophy suggest that such a strategy is far from universally appropriate for all products, brands or companies. Only under certain conditions is it likely to prove a "winning" strategy in international markets. These include: a) the existence of a global market segment b) potential synergies from standardization and c) the availability of a communication and distribution infrastructure to deliver the firm's offering to target customers worldwide.

Existence of Global Market Segments

As noted previously, global segments may be identified in a number of industrial and consumer markets. In consumer markets these segments are typically luxury or premium type products. Global segments are, however, not limited to such product markets, but also exist in other types of markets, such as motorcycle, record, stereo equipment, and computer, where a segment with similar needs and wants can be identified in many countries.

In industrial markets, companies with multinational operations are particularly likely to have similar needs and requirements worldwide. Where the operations are integrated or coordinated across national boundaries, as in the case of banks or other financial institutions, compatibility of operation systems and equipment may be essential. Consequently, they may seek vendors who can supply and service their operations worldwide, in some cases developing global contrasts for such purchases. Similarly, manufacturing companies with worldwide operations may source globally in order to ensure uniformity in quality, service and price of components and other raw materials throughout their operations.

Marketing of global products and brands to such target segments and global customers enables development of a uniform global image throughout the world. In some markets such as perfume, fashions, etc., association with a specific country of origin or a foreign image in general may carry a prestige connotation. In other cases, for example, Sony electronic equipment, McDonald's hamburgers, Hertz or Avis car rental, IBM computers, or Xerox office equipment, it may help to develop a worldwide reputation for quality and service. Just as multinational corporations may seek uniformity in supply worldwide, some consumers who travel extensively may be interested in finding the same brand of cigarettes and soft drinks, or hotels in foreign countries. This may be particularly relevant in product markets used extensively by international travelers.

While the existence of a potential global segment is a key motivating factor for developing a global product and brand strategy, it is important to note that the desirability of such a strategy depends on the size and economic viability of the segment in question, the strength of the segment's preference for the global brand, as well as the ability to reach the segment effectively and profitably.

Synergies Associated With Global Standardization

Global standardization may also have a number of synergistic effects. In addition to those associated with a global image noted above, opportunities may exist for the transfer of good ideas for products or promotional strategies from one country to another. For example, a new product or an effective promotional strategy developed in one country (not necessarily the country in which the product or brand originated) may be effectively exploited in other countries. For example, US detergent companies have acquired or developed new, more effective detergent formulas and fabric softeners to cope with harder water conditions in European markets. These have subsequently been introduced into the US home market. Similarly, promotional campaigns such as the Marlboro cowboy may also prove effective in several countries.

Global marketing also generates experience of operating in multiple and diverse environments. Experience gained in one foreign environmet may thus be transferred to another country, or may facilitate more rapid adaptation to new environmental conditions, even if these have not been previously experienced. Consequently, the range of experience acquired may result in the introduction of operating efficiencies.

The standardization of strategy and operations across a number of countries may also enable the acquisition or exploitation of specific types of expertise which would not be feasible otherwise. Expertise in assessing country risk or foreign exchange risk, or in identifying and interpreting information relating to multiple country markets may, for example, be developed.

Such synergies are not, however, unique to a strategy of global standardization, but may also occur wherever operations and strategy are coordinated or integrated across country markets (Takeuchi and Porter 1985). In fact, only certain scale economies associated with product and advertising copy standardization and the development of a global image as discussed earlier, are unique to global standardization.

Availability of an International Communication and Distribution Infrastructure

The effectiveness of global standardization also depends to a large extent on the availability of an international infrastructure of communications and distribution. As many corporations have expanded overseas, service organizations have followed their customers abroad to supply their needs worldwide.

Advertising agencies such as Saatchi and Saatchi, McCann Erickson and Young and Rubican now have an international network of operations throughout the world while many research agencies can also supply services in major markets worldwide. With the growing integration of financial markets, banks, investment firms, insurance and other financial institutions are also becoming increasingly international in orientation and are expanding the scope of their operations in world markets. The physical distribution network of shippers, freight forwarding, export and import agents-customs clearing, invoicing and insurance agents is also becoming increasingly integrated to meet demand for international shipment of goods and services.

Improvements in telecommunications and in logistical systems have considerably increased capacity to manage operations on a global scale and hence facilitate adoption of global standardization strategies. The spread of telex and FACS systems, as well as satellite linkages and international computer linkages, all contribute to the shrinking of distances and facilitate globalization of operations. Similarly, improvements in transportation systems and physical logistics such as containerization and computerized inventory and handling systems have enabled significant cost savings as well as reducing time required to move goods across major distances.

OPERATIONAL CONSTRAINTS TO EFFECTIVE IMPLEMENTATION OF A STANDARDIZATION STRATEGY

While adoption of a standardized strategy may be desirable under certain conditions, there are a number of constraints which severely restrict the firm's ability to develop and implement a standardized strategy. These include both external or environmental constraints, the nature of the marketing infrastructure, resource market conditions or the type of competition, as well as internal constraints which stem from the firm's current strategy or organization of international operations.

External Constraints to Effective Standardization

The numerous external constraints which impede global standardization are well recognized, and have been clearly identified in the classic discussion by Buzzell (1968). Here, three major categories are highlighted, namely: (a) governmental and trade restrictions, (b) differences in the marketing infrastructure, such as the availability and effectiveness of promotional media, (c) the character of resource markets, and differences in the availability and costs of resources, and (d) differences in competition from one country to another.

Governmental and Trade Restrictions

Government and trade restrictions, such as tariff and other trade barriers, product, pricing or promotional regulation, frequently hamper standardization of the product line, pricing or promotion strategy. Tariffs, or quotas on the import of key materials, components or other resources may, for example, affect production costs and thus hamper uniform pricing or alternatively result in the substitution of other components and modifications in product design. Local content requirements or compensatory export requirements, which specify that products contain a certain proportion of components manufactured locally or that a certain volume of production is exported to offset imports of components or other services may have a similar impact.

Regulation of business practices may also affect the feasibility of standardization. In Japan, for example, in many product markets such as electronics, and food, product design and composition must conform to standards established by the relevant trade body, necessitating adaptation by foreign companies. Similarly, severe advertising regulation in countries such as Germany and Switzerland, has restricted the use of many campaigns successful in other countries.

The existence of cartels such as the European steel cartel, or the Swiss chocolate cartel, may also impede or exclude standardized strategies in countries covered by these agreements. In particular, they may affect adoption of a uniform pricing strategy as the cartel sets prices for the industry. Cartel members may also control established distribution channels, thus preventing use of a standardized distribution strategy. Extensive grey markets in countries such as India, Hong Kong, and South America may also affect administered pricing systems, and require adjustment of pricing strategies. For example, Wilkinson's attempt to makret its line of razor blades in India suffered greatly from price undercutting in the grey market.

The Nature of the Marketing Infrastructure

Differences in the marketing infrastructure from one country to another may hamper use of a standardized strategy. These may, for example, include differences in the availability and reach of various promotional media, in the availability of certain distribution channels or retail institutions, or in the existence and efficiency of the communication and transportation network. Such factors may, therefore, require considerable adaptation of strategy of local market conditions.

The type of media available as well as their reach and effectiveness differ from country to country. For example, TV advertising, while a major medium in the US, Japan and Australia, is not permitted in Scandinavian countries. Where TV advertising is permitted it may reach only a limited number of households due to limited ownership of TVs, as for example, in South Africa, Nigeria or Indonesia. Similarly, in countries with high levels of illiteracy the effectiveness of print media is severely limited. Conversely, in some countries certain media are particularly effective or unique to the country. These include the circular street advertising to be found in Paris, or the neon advertising common in Japan.

The nature of the distribution system and structure also differs significantly from one country to another. While in the US supermarkets account for the major proportion of food sales, in other countries there are virtually no supermarkets and Mom and Pop type stores predominate. This severely limits the effectiveness of a "pull" type strategy and ability to use 'in store' promotions or display to stimulate customer interest. Even in industrialized nations such as Japan, Italy, Belgium, Portugal and Spain, more than 75% of retail sales are done through small retailers. Again, discount outlets common in many industrialized nations may not exist in other countries, which may restrict a company's ability to use an aggressive price penetration strategy.

The physical and communications infrastructure also varies from country to country. Inadequate mail service (as for example, in Brazil or Italy) will limit the effectiveness of direct mail promotion. A poor or ill-maintained road network may necessitate use of alternative modes of transportation such as rail or air. Inaccessibility of outlying rural areas due to the nature of the physical terrain in countries, such as Canada, Australia and Peru, may also require the design of logistical systems specifically adapted to their unique conditions.

Interdependencies With Resource Markets

Yet another constraint to the development of standardized strategies is the nature of resource markets, and their operation in different countries throughout the world as well as the interdependency of these markets with marketing decisions. Availability and cost of raw materials, as well as labor and other resources in different locations, will affect not only decisions regarding sourcing of and hence the location of manufacturing activities but can also affect marketing strategy decisions such as product design. For example, in the paper industry, availability of cheap local materials such as jute and sugar cane may result in their substitution for wood fiber. Similarly, the relative cost of paper vs. plastic materials may affect product packaging decisions. In Europe, use of plastic rather than paper is more common than in the US due to differences in the relative cost of the two materials.

Cost differentials relative to raw materials, labor, management and other inputs may also influence the trade-off relative to alternative marketing mix strategies. For example, high packaging cost relative to physical distribution may result in use of cheaper packaging with a shorter shelf-life and more frequent shipments. Similarly low labor costs relative to media may encourage a shift from mass media advertising to labor intensive promotion such as personal selling, and product demonstration.

Availability of capital, technology and manufacturing capabilities in different locations will also affect decisions about licensing, contract manufacturing, joint ventures, and other "make-buy" types of decisions for different markets, as well as decisions about countertrade, reciprocity and other long-term relations.

The Nature of the Competitive Structure

Differences in the nature of the competitive situation from one country to another may also suggest the desirability of adaptation strategy. Even in markets characterized by global competition, such as agricultural equipment, and motorcycles, the existence of low-cost competition in certain countries may suggest the desirability of marketing stripped-down models or lowering prices to meet such competition. Even where competitors are predominantly other multinationals, pre-emption of established distribution networks may encourage adoption of innovative distribution methods or direct distribution to short-circuit an entrenched position. Thus, the existence of global competition does not necessarily imply a need for global standardization.

All such aspects thus impose major constraints on the feasibility and effectiveness of a standardized strategy, and suggest the desirability or need to adapt to specific market conditions.

Internal Constraints to Effective Standardization

In addition to such external constraints on the feasibility of a global standardization strategy, there are also a number of internal constraints which may need to be considered. These include compatibility with the existing network of operations overseas, as well as opposition or lack of enthusiasm among local management towards a standardized strategy.

Existing International Operations

Proponents of global standardization typically take the position of a novice company with no operations in international markets, and hence, fail to take into consideration the fit of the proposed strategy with current international activities. In practice, however, many companies have a number of existing operations in various countries. In some cases, these are joint ventures, or licensing operations or involve some collaboration in purchasing, manufacturing or distribution with other companies. Even where foreign manufacturing and distribution operations are wholly-owned, the establishment of a distribution network will typically entail relationships with other organizations, as for example, exclusive distributor agreement.

Such commitments may be difficult if not impossible to change in the short run, and may constitute a major impediment to adoption of a standardized strategy. If, for example, a joint venture with a local company has been established to manufacture and market a product line in a specific country or region, resistance from the local partner (or government authorities) may be encountered if the parent company wishes to shift production or import components from another location. Similarly, a licensing contract will impede a firm from supplying the products covered by the agreement from an alternative location for the duration of the contract, even if it becomes more cost efficient to do so.

Conversely, the establishment of an effective dealer or distribution network in a country or region may constitute an important resource to a company. The addition of new products to the product line currently sold or distributed by this network may therefore provide a more efficient utilization of company resources, than expanding to new countries or geographic regions with the existing product line, as this would require substantial investment in the establishment of a new distribution networks.

In addition, overseas subsidiaries may currently be marketing not only core products and brands from the company's domestic business, but may also have added or acquired local or regional products and brands in response to local market demand. P&G, for example, acquired Domestos, an established local brand of household cleanser in the UK, and added it to its product line in a number of other European markets. In some cases, therefore, introduction of a global product or brand may be likely to cannibalize sales of local or regional brands.

Advocates of standardization thus need to take into consideration the evolutionary character of international involvement, which may render a universal strategy of global products and brands sub-optimal. Somewhat ironically, the longer the history of a multinational corporation's involvement in foreign or international markets, and the more diversified and far-flung its operations, the more likely it is that standardization will not lead to optimal results.

Local Management Motivation and Attitudes

Another internal constraint concerns the motivation and attitudes of local management with regard to standardization. Standardized strategies tend to facilitate or result in centralization in the planning and organization of international activities. In particular, product development and positioning as well as key promotional themes are likely to be developed at corporate headquarters. Especially if input from local management is limited, this may result in a feeling that strategy is "imposed" by corporate headquarters, and/or not adequately adapted nor appropriate in view of specific local market characteristics and conditions. Local management is likely to take the view

—"it won't work here—things are different," which will reduce their motivation to implementing a standardized strategy effectively.

Standardization tends to conflict with the principal of local management responsibility. Emphasis on local management autonomy stems from the advantages traditionally associated with decentralization and a concern with encouraging local entrepreneurship. The establishment of a standardized strategy by corporate headquarters may therefore reduce the overall effectiveness of the firm. It also restricts local management's ability to adapt to local market competitive conditions for example, in promotion or distribution decisions which can result in sub-optimal reactions to competition.

A FRAMEWORK FOR CLASSIFYING GLOBAL STRATEGY OPTIONS

This review of the rationale underlying "global standardization" thus suggests that it's appropriate only in relation to certain product markets or market segments under certain market environment conditions, and dependent on company objectives and structure. The adoption of a global perspective should not therefore be viewed as synonymous with a strategy of global products and brands. Rather for most companies, such a perspective implies consideration of a broad range of strategic options of which standardization is merely one.

In essence, a global perspective implies planning strategy relative to markets worldwide rather than on a country by country basis. This may result in the identification of opportunities for global products and brands and/or integrating and coordinating strategy across national boundaries to exploit potential synergies o operating on an international scale. Such opportunities should, however, be weighed against the benefits of adaptation to idiosyncratic customer characteristics.

The development of an effective global strategy thus requires a careful examination of all alternative international strategic options in terms of standardization vs. adaptation open to the firm. These are, however, vast in number given the range of possible geographic areas, countries, market segments, product variants, and marketing strategies to be considered. It is, therefore, helpful to classify these options based on the degree of standardization. A continuum can thus be identified, ranging from "pure standardization" to "pure differentiation," where most options fall into the intermediate category of mixed or "hybrid" strategies. This is shown in Chart 1.

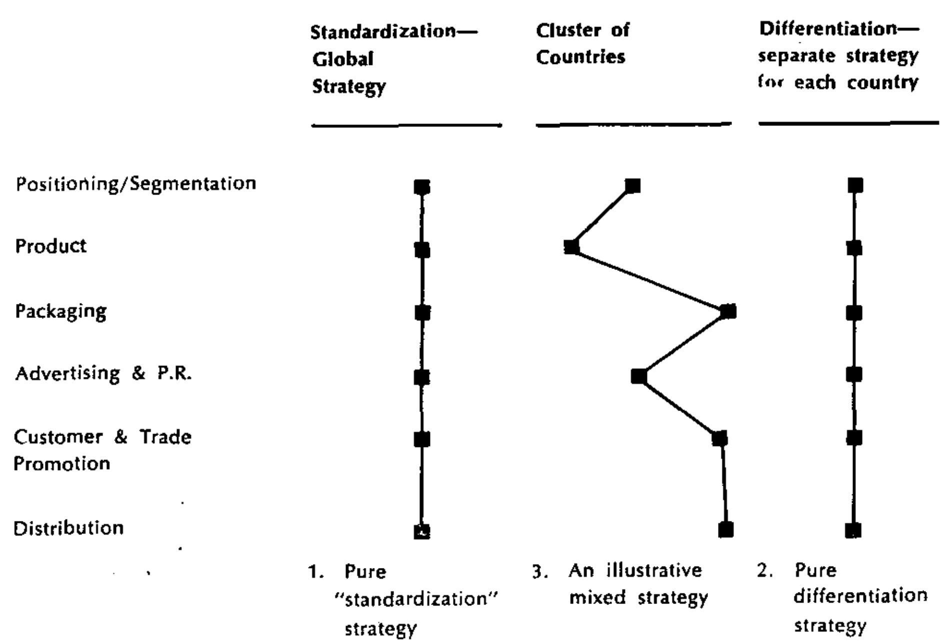
In the extreme case of pure standardization, all dimensions of marketing strategy are standardized or uniform throughout the world. In practice, as noted previously, not only is such a strategy fraught with problems, but is rarely likely to be feasible in relation to all elements of the mix. The other extreme is that of totally differentiated strategy, in which each component of the mix is adapted to the specific idiosyncratic customer and environmental characteristics in each country. Management in each country thus develops its own strategy, independently with no coordination across countries, nor attempt to identify any commonality from one country to another.

In between these two extremes is a set of mixed or hybrid options including some standardized and some differentiated components. Here, a variety of different patterns may be identified. These include those in which some components of the mix are standardized, while others are adapted to local market factors; those where strategies are standardized across regions or cluster of countries; strategies standardized by market segment; as well as combinations of the above.

For example, as shown in Chart 2, some components of the marketing mix, product or advertising copy, are standardized across countries, but others, such as distribution policy or pricing, are adapted to specific country or environmental characteristics. For example, companies marketing global products or brands may pursue different distribution or pricing policies in each country. Apple Computers, for example, while selling a standardized product line worldwide, has different positioning, promotional, and distribution strategies in each country.

CHART 1

The Standardization-Differentiation Continuum



Another option is to standardize strategy across regions or clusters of countries. Ford, for example, develops different models for its European operations as compared with the US market. The Fiesta, Granada, and Taurus models were all initially developed for the European market, as were the positioning strategy and promotional themes.

Alternatively, strategies might be standardized by customer segments. Revlon, for example, targets its Charlie line to working women worldwide, using the same positioning strategy and advertising copy. Almay cosmetics targets its line to the global segment of women with sensitive or delicate skin throughout he world.

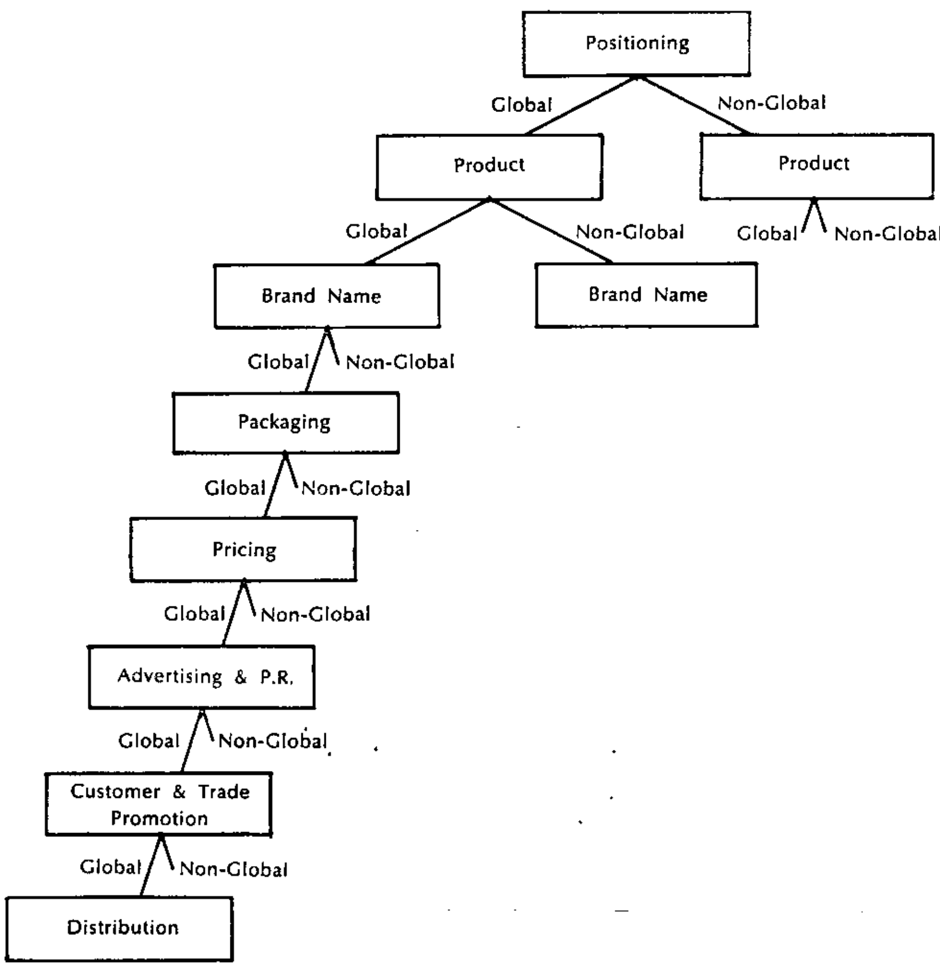
Combinations of these alternatives can also be adopted. For example, a company might market a standardized or uniform product worldwide but adapt its promotional strategy for different countries or regions. For example, P&G sells its Pampers brand of diapers worldwide, but the promotional strategy is adapated to different geographic regions. Similarly, Kellogg's Corn Flakes is sold worldwide, but in some regions such as Latin America, and the Far East, promotional themes are standardized, while in other areas, such as Europe, promotional themes, packaging and distribution strategies are specific to each country. Again, Virginia Slims is targeted to "liberated" women throughout the world, but in Japan, the advertising copy is changed from "You've Come A Long Way Baby," to "Oh so Slim and Sexy," (translation from Japanese).

In addition to such options which all assume a worldwide strategy, companies may also target specific and unique product markets and segments in a given geographic region or country. In the detergent market, for example, a company may market its line of powdered detergents worldwide, its liquid detergents and softeners in industralized countries, and for the developing countries, develop a line of synthetic detergents and bar soaps. Similarly in India, a major segment of the tooth cleansing market consists of black and white tooth-cleaning powders. Multinationals such as P&G and Colgate have each developed a brand of white tooth-cleansing powder to tap this market.

A firm's international operations are thus likely to be characterized by a mix of strategies, including not only global products and brands, but also some regional products and brands and some national products and brands. Similarly, some target segments may be global, others regional and others national. Hybrid strategies of this nature thus enable a company to take advantage of the benefits of standardization, and potential synergies from operating on an international scale, while at the same time not losing those afforded by adaptation to specific country characteristics and customer preferences. Guidelines and an approach for developing such a strategy based on a dynamic portfolio perspective have been proposed (Wind and Douglas 1987). These take into consideration the company's existing network of operations, the current mix of products and brands, and their competitive positioning in each country, in designing an effective global marketing strategy.

CHART 2

Key Dimensions of Global Marketing Strategy



CONCLUSION

The main thesis of this paper is that the design of an effective global marketing strategy does not necessarily entail the marketing of standardized products and global brands worldwide. While such a strategy may work for some companies and certain product lines, for other companies and other product markets adaptation to local or regional differences may yield better results. The key to success is rather a careful analysis of the forces driving towards globalization as well as the obstacles to this approach, and to assess, based on the company's strengths and weaknesses, where the most attractive opportunities and the company's differential advantage in exploiting these appear to lie.

TABLE 1

A Standardized Global Strategy Checklist

	YES Continue to explore	NO Standardization not appropriate
1. Is there a global market segment for your product?	Yes	No
2. Are there synergies associated with a global strategy?	Yes	No
3. Are there no **external** constraints government regulation on ability to implement a global strategy?	Yes	No
4. Are there no **internal** constraints to implementing a global strategy?	Yes	No
If yes to all 4 consider global	Yes	No

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