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Marketing program standardization: A cross-country exploration

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Abstract

This study explores the antecedents and consequences of marketing program standardization in subsidiaries of multinational corporations by contrasting the case of a lead market (Japan) and of an emerging market (Turkey). The findings show that: (1) *marketing program standardization* is positively related to *performance* in Japan and Turkey; (2) *centralization of nonproduct decision* is negatively related to *performance* in both markets; (3) *customer similarity* is positively related to *marketing program standardization* in both Japan and Turkey. Whereas, in Japan, marketing program standardization has a direct, positive relationship to performance, in Turkey, in addition to such a direct effect, there is also an indirect effect at work, through centralization of nonproduct decision.

Keywords: Marketing standardization; Centralization; Subsidiary performance

1. Introduction

The globalization of the marketplace is forcing multinational companies to integrate their worldwide strategies. Some researchers have even suggested that being able to develop and implement an effective global strategy is the acid test of a well-managed multinational company (e.g., Yip, 1995). Because of its external focus on customers and competitors (Slater & Narver, 1995; Zou & Cavusgil, 2002), marketing is well positioned to appreciate and exploit the benefits of globalization. As markets are quickly becoming "borderless," marketing strategies that fail to recognize the similarities among markets can be at a competitive disadvantage (Levitt, 1983; Yip, 1995).

Marketing program standardization (MPS) is an important dimension of a global marketing strategy (see Zou & Cavusgil, 2002).[1] MPS is defined as the pursuit of similar marketing programs across different

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[1] A broad conceptualization of a global marketing strategy includes standardization of marketing programs, configuration and coordination of value-chain activities, and integration of competitive moves across markets as the three dimensions of a global marketing strategy (see Zou & Cavusgil, 2002).

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countries or regions with regard to product offering, promotional mix, and price and distribution structure (Jain, 1989; Levitt, 1983; Szymanski, Bharadwaj, & Varadarajan, 1993). The standardization of marketing programs is viewed as a continuum with complete standardization and complete localization as the two extremes (Cavusgil & Zou, 1994; Özsomer, Bodur, & Cavusgil, 1991).

The pursuit of a standardized program is considered appropriate only to the extent that it has a positive relationship to performance (Levitt, 1983; Jain, 1989). Proponents of standardization believe that world markets are being homogenized by advances in communication and technology (Levitt, 1983). Preferences of customers in distant parts of the world are becoming similar and, in turn, these customers are demanding the same products (Jain, 1989). The convergence of cultures, similarity of demand, low trade barriers, and technological advances are enabling firms to sell standardized products using standardized marketing programs (Zou & Cavusgil, 2002). Depending on market conditions, the benefits of standardization in terms of performance include cost saving through scale economies in production, marketing, and R&D (Levitt, 1983; Porter, 1980; Yip, 1995); ability to exploit good products, ideas, and executions in multiple markets (Maljers, 1992; Özsomer & Prussia, 2000; Yip, 1995); enhanced customer preference through global recognition (Levitt, 1983); and consistency in dealing with customers (Zou & Cavusgil, 2002). However, some studies have cautioned that pressures for global integration are often misinterpreted and that subsidiaries frequently adopt programs that are either too standardized or too localized (Birkinshaw, Morrison, & Hulland, 1995; Douglas & Wind, 1987; Yip, 1995).

The relationship between *marketing program standardization* and *performance* is of interest to both practitioners and academics because it goes to the heart of what often does, and does not, work well in subsidiary markets. Should Starbucks enforce its nonsmoking store policy internationally? Can Swatch sustain the same pricing policy worldwide? While much has been written on the promises and pitfalls of *marketing program standardization*, the majority of published work is conceptual, or based on anecdotal evidence. Surprisingly, few empirical research works that document the relationship between a standardized marketing program and performance exist. The bulk of empirical research has examined standardization with respect to *individual* marketing mix elements (e.g., advertising content, brand name, distribution channel, and pricing), with advertising receiving the greatest coverage (Jain, 1989). Among the few studies that have investigated environmental and organizational contingencies empirically (e.g., Cavusgil & Zou, 1994; Özsomer & Prussia, 2000), there is limited and often conflicting evidence regarding performance outcomes of standardized marketing programs. For example, Kotabe and Omura (1989) find that businesses with standardized products perform better in terms of market share and profit performance than businesses that adapt products to different market conditions. Likewise, Szymanski et al. (1993) find that businesses are better off standardizing their strategic resource mix across Western markets. In contrast, in the export marketing context, Cavusgil and Zou (1994) uncover a positive relationship between product adaptation and performance. Finally, Samiee and Roth (1992) find no significant relationship between standardization and a firm's performance. Despite continued interest in the topic, the issue remains unresolved.

Standardization cannot occur without centralization of marketing decisions (Daniels, 1987). Centralized marketing decision making is necessary to implement a standardized marketing program (Özsomer & Prussia, 2000). In one of the earlier studies, Aydin and Terpstra (1981) report that multinational corporations (MNCs) with the standardization–centralization approach tend to do more marketing know-how transfers than those with a decentralized adaptation approach. In another study, Özsomer et al. (1991) found the level of marketing standardization to be highest when the head office provided strong directions for marketing decisions.

We aim at making a contribution to this literature by considering both marketing program standardization and centralization of marketing decision simultaneously. By primarily focusing on the standardization of marketing while ignoring centralization of marketing decision, past research fails to capture the underlying complexities between marketing programs and marketing decision making: how they are related to internal and external forces and how they are related to performance. In contrast, this study not only