Standardization versus Localization with Impacts of Cultural Patterns on Consumption in International Marketing

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Abstract
For a company to go global, a primary question to be answered is what should be a suitable approach in international marketing strategy, whether they standardize or localize their marketing strategy to adapt to the out-of-country markets that they want to penetrate in. It also is the challenge for global corporations to decide what marketing strategy to adopt (Kotler, 2009). Nevertheless, the issue is not whether to go global but how to tailor the global marketing concept to fit each business and how to make it work (Quelch & Hoff, 1986). In the international marketing, a number of elements including macro and micro economic environment, legal issues, culture and infrastructure should be thoroughly considered. Among these elements, the culture plays a vital role in developing the international marketing strategy for a firm. This paper is to discuss about the standardization and localization in the international marketing strategy with advantages and disadvantages of both approaches. The further discussion of impacts of cultural patterns on consumption is addressed in both standardization and localization marketing strategy.

Keywords: International Marketing Strategy, Standardization, Localization, Adaptation, Customization, Culture, Acculturation, Cultural Patterns.

1. Introduction
The growth of the world trade with an expanding integration of the world’s major economies, and the progressing globalization, means that whether to go standardized or localized in marketing strategies will be an important issue to academic research and marketer (Viswannathan & Dickson, 2007).

There have been no common interpretations on standardization definitions, (Ryans et al., 2003), though there have been different definitions of standardization including the notion of standardization as a common marketing program (Jain, 1989), and as a common pattern of resource allocation among marketing mix variables (Szymanski, 1993). Recently, standardization has been viewed as a common marketing program since the pattern of resource allocation represents only one aspect of a marketing program (Viswanathan & Dickson, 2007).

On the other end, the supporters for localization contend that it is difficult to adopt the standardization approach and thus they support the localization approach to satisfy the requirements of the international markets (Kashani, 1989; Thrassou & Vrontis, 2006). The reason behind the advocates of the localization falls on the significant differences between the countries and even within the different regions of the same country (Papavassiliou & Stathakopoulos, 1997), of which the marketing practice 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 all need to be taken into account when outlining the marketing strategy (Yankelovich & Meer, 2006).

The issue of standardization and localization has been extensively researched but both academics and practitioners have not yet concluded what approach is best for globalization. The standardization and localization is one of the key issues for the international brand management that needs to create the balance (trade-off) between the benefits from the standardization through economies of scale and the cultural prerequisite of localization (Solberg, 2002).

The globalization creates a global culture, consisting of many ‘subcultures’ (Firat et al., 2013) from different countries that clearly affect consumption preferences and patterns. Cultural impacts on consumer preferences and consumption include product versus service consumption in culture, cultural orientation, social class / reference group influences, urban versus rural sector consumption patterns and disposal (Raju, 1995).

The aim of this research paper is to discuss through critical reviews of the prior research studies the differences between the standardized and localized marketing strategy in international marketing and to address the advantages and disadvantages of both approaches. This paper is also to investigate how cultural patterns impact the society and consumption. This theoretical research paper is divided into the 3 sections of which the first section consists of the introduction of the study; the second section of the study goes straight into the discussion of study objectives; and the third section is the conclusion.
2. Standardization versus Localization – Literature Review

The global market becomes homogeneous in nature and the homogenization of the international markets allows the firms to adapt the standardization strategy across the globe (Cavusgil et al., 1993). Levitt (1983) proposed that forces of globalization, which was associated with standardization (Medina & Duffy, 1998), driven by technology were homogenizing markets and that is the trend that marketers needed to take advantage by following a standardized marketing strategy. Therefore, the companies could exploit technology to adopt a standardized approach to benefit by high quality products and low costs in global markets (Levitt, 1983). The standardization was also defined as ‘the process of extending and effectively applying domestic target-market-dictated product standards – tangible and/or intangible attributes – to markets in foreign environments’ (Medina & Duffy, 1998).

Consequently, the supporters of standardization assert that as the emergence of global market segments is increasing due to higher convergence of consumer needs, tastes, and preferences with further facilitations from international communication channels and the Internet (Theodosiou & Leonidou, 2003), international marketing strategy not only can, but also should be standardized across markets (Melewar & Vemmervik, 2004).

Localization is the opposite of standardization (Medina & Duffy, 1998; Douglas & Wind, 1987). The author advocates that the localization is a concept including adaptation and customization. Adaptation and customization are two terms that are used interchangeably (Medina & Duffy, 1998) to propose localization in one form or another. Medina and Duffy (1998) differentiated between adaptation and customization that adaptation is as ‘the mandatory alteration of domestic 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 discretionary modification of domestic target-market-dictated product standards – tangible and intangible attributes – as to make it economically and culturally suitable to foreign customers’ (Medina & Duffy, 1998). From the two above definitions, customization seems familiar with adaptation. However, there are two essential differences, which are, firstly adaptation relates to mandatory requirements, customization relates to optional changes to the companies; secondly, adaptation is dependent on environmental conditions so the changes are more referred to physical attributes of products, while customization has profound non-physical attribute implications (Medina & Duffy, 1998). Advocates of the localization approach therefore state that, in spite of increasing globalization tendencies, differences between countries in consumer needs, use conditions, purchasing power, commercial infrastructure, culture and traditions, laws and regulations, and technological development are still vast that the firm’s marketing strategy needs to be adjusted to the individually distinctive circumstances of each foreign market (Theodosiou & Leonidou, 2003).

3. Standardization versus Localization – Advantages and Disadvantages

Papavassiliou and Stathakopoulos (1997) suggested four main advantages for standardization. Firstly, the company can maintain a consistent image and brand identity, which can be considered as a uniform global image (Douglas & Craig, 1986). Secondly, it can minimize confusion among buyers by transference of experience (Douglas & Craig, 1986). Thirdly, the company can develop a single tactical approach in order to easier control and monitor (Douglas & Craig, 1986). And, lastly, the standardization enables the company to take advantage of economies of scale in production and experience, and learning curve effects (Vrontis et al., 2009).

The advantages of standardization therefore may be summarized from the above suggestions as uniform global image, transference of experience, easier control and monitor, and economies of scale (Douglas & Craig, 1986) and may be elaborated as following:

**Uniform global image:** As standardization includes the use of constant product dynamics, service, advertising and so on with a consistent image and identity, this keeps to the company with a uniform global image (Melewar & Saunders, 1999). A good example is Coca-Cola Company, which uses the same bottle, logo, color, and same taste for its global brand (Melewar & Saunders, 1999), and another example is Ford Corporation with One Ford Plan global strategy of One Team, One Plan and One Goal (corporate.ford.com, 2015).

**Transference of experience:** Standardization improves and enhances the integration and coordination of marketing activities in different international markets. This therefore facilitates transference of competitive knowledge and experience developed and accumulated in one international market to another (Douglas & Craig, 1986; Viswanathan & Dickson, 2007), such as better use of specific types of expertise in assessing country or foreign exchange risk, developing creative promotional campaigns, negotiating contracts, etc.

**Easier control, monitor, and coordination:** Standardization leads to easier control, monitoring, and coordination with a single tactical approach since the same products and advertising strategies are adopted. This makes the company easier to implement the same quality standards, production methods, as well as the brand awareness. And, it will also facilitate the sharing of ideas and best practices (Douglas & Craig, 1986; Narayandas et al., 2000; Vrontis et al., 2009). An example for this is the case of Ford, they use same product quality standards, production control methods, as well as the same brand awareness in their strategy of One Ford Plan across their international markets (corporate.ford.com, 2015).

**Economies of scale:** Marketing standardized products allows companies to attain significant competitive
edge by the large-scale production and marketing of the standardized products. This is achieved through the production of large quantities of the standardized product driven by technology, which results in lower cost and high quality (Levitt, 1983; Douglas & Craig, 1986; Viswanathan & Dickson, 2007). IPhone is an example for this, Apple standardizes IPhone for worldwide markets.

However, standardization may cause low revenues due to differences from the business environment in the host market (Narayandas et al., 2000). Additionally, standardization (1) could make the standardized products over-designed or under-designed in certain countries, (2) could undermine the company’s network channels, (3) could diminish entrepreneurial and creative spirits within the company (Douglas & Wind, 1987). The following drawbacks of standardization therefore are addressed:

**Economic environment:** The economic environment of a targeted market affects market potential and demand for industrial and consumer products (Katsikeas et al., 2006). The economic environment, which reflects the living standards, employment and income levels of the targeted country, impacts the company’s cost structure, because it affects the cost of raw materials, labor, and allied resources needed to run local manufacturing operations (Samli, Wills, and Jacobs, 1993). A standardized strategy may be hampered by the differences of economic conditions (Sriram & Gopalakrishna, 1991).

**Governmental and trade restrictions:** Government regulations and trade restrictions impede an attempt to standardize products of a company. Local tariff or other trade barriers on product, pricing or promotional rules may frequently obstruct marketing of a standardized product line or identical pricing and promotion (Douglas & Craig, 1986, Akaka & Alden, 2010). For example, In Vietnam, the import duty of a car with engine of 3 liters or above is almost double of the duty for car with engine below 3 liters in 2017 and that affects tremendously to the standardized product strategies of multinational car makers such as Toyota, Ford, Mazda, etc. (Vneconomy, 2016)

**The nature of the marketing infrastructure:** Different countries and regions have different marketing infrastructure, for example, internet speed and digital TV broadcasting for digital advertising, which may hinder the use of standardization strategy (Douglas & Craig, 1986; Akaka & Alden, 2010).

**Differences in customer interests and response patterns:** Customers may differ considerably from one country to another or one region to another in their interests, preferences, and response patterns (Douglas & Craig, 1986). Failure to comprehend and consider such differences has frequently led to ineffective efforts in the standardization process (Aaker & Joachimsthaler, 1999). Culinary preferences are, for example, often implanted in cultural values and traditions, and different significantly from one country to another, and one region to another (Douglas & Craig, 1986). For example, Vietnamese coffee tastes different from Starbucks coffee.

**The nature of the competitive structure:** Differences in the nature of competitive environment from one country to another may propose the desirability of adapting strategy (Douglas & Craig, 1986). For example, the low-cost local companies in developing countries may suggest lowering price to compete with competitors’ price (Douglas & Craig, 1986).

**Product life cycle:** The products may well be at different stages across markets due to variations in customers’ product knowledge, utilization, and demand patterns, and thus firms may not able to adopt standardized strategy to the targeted market conditions. The difference in the stage of product life cycle between home and targeted markets may hamper the strategy of standardization (Ozsomer & Simonin 2004).

Supporters of international adaptation 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 (Cavusgil, 1996) due to the following advantages:

**Responsiveness to local needs:** Localization is essential and vital to meet the needs and wants of the targeted markets (Vrontis, et al., 2009) due to differences in culture, economic and industrial development, media access and political and legal restrictions (Akaka & Alden, 2010). McDonald has changed their menu in Vietnam, as an example, by adding Banh Mi McCafe to respond to local lovers of authentic Vietnamese sandwich, named as Banh mi (Foodbeast.com, 2016).

**Competitive advantage to target market:** The use of localization strategy helps the firm to achieve the competitive advantage (Cavusgil et al., 1993). Localization helps the company rapidly and aggressively deals with local intense competition, such as local low-price products, which force them to differentiate their products to adapt to the competitive environment (Bennet, 2008).

**Increase of income and market share:** The primary goal of a company is not only the cost reduction through standardization, but also the long-term profitability through higher sales accrued from a better utilization of the different consumer needs across countries (Theodosis & Leonidou, 2003). Product adaptation strategy may increase in the sales volume of the company in foreign marketplace by better satisfying the needs and wants of the customers, by retaining the existing customers and by consideration of acquiring of the local competing companies (Hussain & Khan, 2013).

On the other hand, localization may have negative impacts as following:

**Limit of transference of experience or knowledge:** Localization of marketing strategy limits the
transference of knowledge and experience developed from one country to another. It therefore slows development and leads to wastage of resources (Aaker & Joachimsthaler, 1999).

**Lack of economies of scale:** Localizing products may limit the company to take advantage of the economies of scale and that results high entry costs because the product line has to be adjusted in overseas markets, mainly due to differences between home and foreign environments, for development and manufacturing of new products for overseas markets (Theodosiou & Leonidou, 2003).

**Limited control:** Localization may make the company difficult to control and coordinate functional departments in international markets since different products, pricing and promotion campaigns are used (Ger, 1999). Localization even makes the company more difficult to apply the same product quality standards, production procedures, as well as brand awareness (Aaker & Joachimsthaler, 1999).

**Brand image:** Localization of branding to adapt to local requirements may result undesirable meanings, pronunciation difficulties, or brand similarity in foreign markets (Theodosiou & Leonidou, 2003)

### 4. The impacts of cultural patterns on consumption

Hofstede (1991) defined that culture is the collective mental programming of people in an environment. Culture is not genetic but learnt through social interactions, in which culture is shared by members of a specific society, and that culture is transmitted from generation to generation (Hofstede, 1991; Firat et al., 2013). Culture is also the system of values and norms that are shared among a group of people (Cayla & Arnould, 2008).

People’s decision is influenced by cultural factors, such as values and belief systems, communication and language systems, rituals, artifacts, symbols etc. (Firat et al., 2013). It therefore is understandable that culture has a strong impact on consumer behavior (Craig & Douglas, 2005). For instance, Americans prefers big and convenient cars, Japanese likes small and fuel efficient vehicles. In France, McDonalds adapted their famous menu to the French appetite by introducing smaller burgers (Firat et al., 2013). Vietnamese like fish source in their daily meals, while Chinese prefers soya source.

Firat et al. (2013) summarize the basic characteristics of consumer culture in the transformation of needs to desires, utilitarian/hedonic needs-values, commodity fetishism, conspicuous leisure and consumption, cultural values, aesthetization, alienation, differentiation and speed. The consumer reflects some needs and desires in his/her purchase decision, of which the individual “needs” are influenced by both culture and personality. These needs are translated into “wants”, which are linked with purchasing power, become “demands” (Cleveland & Laroche, 2007).

The culture construct keeps evolving and the challenge to identify of the core of any specific culture increases. Additionally, the boundaries between cultures are dimming because people are more exposed to a variety of prominent cultural elements through human mobility and mass media (Firat et al., 2013). Consumer products will be less culture-bound if they are used by young people, whose cultural norms are not ingrained, by people, who travel in different countries, and ego-driven consumers, who can be attracted through myths and fantasies shared across cultures (Quelch & Hoff, 1986).

Consequently, an appearance of new hybrid cultures integrates elements of different origins (Craig and Douglas, 2005). Changes in cultural comprehension begins with five global flows (Appadurai, 1990; Firat et al., 2013): (1) flows of images and communication (mediascapes), (2) flows of political ideas and ideologies (ideoescapes), (3) flows of tourists, migrants, students and delegated workers carrying with them their cultural heritage (ethnoscapes), (4) flows of technology (technoscapes), (5) flows of capital and money (finanscapes). These flows allow people around the globe to input similar symbols and meanings into their daily lives. Thus, cultural patterns and consumer behavior have not anymore bound to a specific territory, but rather they interconnect across vast geographic areas (Firat et al., 2013).

Today the globalization is creating a global culture that consists of many ‘subcultures’. Consumers around the globe nowadays are used to many international brand names in different industries such as Starbucks, Calvin Klein, Nike, Ikea, etc. However, each group of consumers behaves differently from another because of different acculturation degrees of the individuals belonging to each ‘subcultures’ (Firat et al, 2013). Acculturation refers to the process, in which individuals learn and adopt the norms and values of a culture, and that is different from the one, in which they grew up (Cleveland & Laroche, 2007). Consumer acculturation is a subset of acculturation with relation to how individuals acquire the knowledge, skills, and behaviors that are appropriate to consumer culture (Cleveland & Laroche, 2007).

Therefore, the acculturation to the global consumer culture regards to ‘how individuals acquire the knowledge, skills and behaviors that are characteristic of a nascent and de-territorialized global consumer culture’ (Cleveland & Laroche, 2007). It is a multifaceted construct composed of six dimensions according to Cleveland and Laroche (2007) as following: (1) **Cosmopolitanism.** The term cosmopolitan loosely describes just about people who move around the word, but beyond that and more specifically, the expression refers to a specific set of qualities held by certain individuals, including a willingness to engage with the other (i.e., different cultures), and a level of competence towards alien culture(s); (2) **Exposure to marketing activities of multinational companies.** This
dimension encapsulates the individual’s degree of exposure to the marketing and advertising activities of multinational or global corporations; (3) Exposure to and use of English language. This regards to the extent of people’s exposure to and use of the English language for various communications. Language is a vital component of all cultures and English language nowadays becomes a fundamental form of communication; (4) Social interactions, including travel, migration, and contacts with foreigners. This dimension reflects not only business and pleasure travel, but also immigration of workers moving in and out of their countries, relatives visiting family members in other countries, international students and government officials, resulting in increasing numbers of direct and indirect contacts with peoples of different cultures that facilitate the diffusion of global culture; (5) Global and foreign mass media exposure. The easy access to television and other forms of mass media via Internet helps create a global culture of consumption; (6) Openness to and desire to emulate global consumer culture. Cleveland and Larauche (2007) also states ‘globalization may not imply the creation of a common culture where everyone holds the same beliefs and values; however, globalization does create a single forum wherein all individuals pursue their goals in a manner involving some degree of comparison with others’. For example, regarding to the global teenage lifestyle in Asian societies, each Asian generation has gradually been acculturated by Western themes and values brought from mass media and goods and services, such as IPhone, American movies, etc., sold to young consumers (Wee, 1999; Cleveland & Larauche, 2007).

5. Conclusion
It is undoubtful that the global market becomes increasingly homogenized that the international and multinational companies can market their products and services all over the world by using identical strategies to utilize the economies of scales for lowering costs to reap benefits of higher margins. However, whether standardizing or localizing the international marketing approach have still been the on-going concerns to all companies, who have been going global or plan to go global, and also the continuous focus of research to academia and marketers.

The extreme schools of thought whether standardization or localization have been rejected by various researchers and marketing practitioners, who highlight the difficulties in applying them in practice and stress the importance and necessity of both standardization and localization to be used simultaneously (Vrontis et al., 2009). It is understandable that the localization in international marketing is so expensive that it does not allow the company to apply in an absolute manner. On the other hand, cultural differences, heterogeneity within different countries, economic environmental factors as well as the company’s desire to satisfy consumer’s diverse needs, do not allow standardization to be practiced extensively (Vrontis et al., 2009). The company therefore may combine ingredients of both approaches to be successful in the served markets.

The globalization of society is generally an ongoing phenomenon affecting both consumers and businesses (Vrontis et al., 2009). The culture therefore is very important in developing and forming an international marketing strategy. Though there have been increasing acculturation and cultural homogeneity across the globe, it may not be inferred that there are cultural similarities between the countries, even within a country. Hence, the market practitioners should take the local cultures into account in developing the marketing strategy. If a company could formulate a relatively standardized and cross-cultural strategy that translates across most cultures, the goals and objectives of marketing strategy for globalization would be achieved at least cost (Van Heerden & Barter, 2008).

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