Brand internationalization strategy beyond the standardization/adaptation dichotomy.

Nabil GHANTOUS
GREFI- Université Paul Cézanne
Aix-Marseille III, France.

ghantousnabil@hotmail.com

19 Bd Emile ZOLA
13100- Aix En Provence- France.
0033 6 72 07 04 51

* presented at the Thought Leaders International Conference on Brand Management, 15-16th April 2008, Birmingham- UK.

** The author would like to thank Pr. Jean PHILIPPE for his valuable comments on earlier versions of this paper.

Brand internationalization strategy beyond the standardization/adaptation dichotomy.

Abstract

The standardization vs. adaptation choice of international brands should no longer be seen as dogmatic nor as a rigid dichotomy. Instead, it should be regarded as a combination of these two options, depending on contingent factors at a given time on a given market. Building on a review of the different visions of consumers' culture, we present a modelling of the intermediate solutions combining both elements of standardization and adaptation, and that is better suited today for demand and supply driven considerations. Thus, we first delimitate the questions that need to be considered when formulating the international marketing strategy and mix, and then we present a simplified framework of two dimensions, products' global vocation and demand's global homogeneity, leading to a matrix of four strategic options for international branding.

Keywords: international branding, standardization/adaptation, internationalization matrix, consumers' culture.

Brand internationalization strategy beyond the standardization/adaptation dichotomy.

While globalization and the culturescapes it is shaping (Appadurai 1990) intensify, multinational corporations face important challenges in their international marketing efforts, especially concerning the management of their brands. In fact, taking its brand on an international level offers great opportunities both for the survival of the firm and its expansion (Melewar and Walker 2003), but at the same time confronts it with different options concerning its strategic and operational marketing decisions.

There is no consensus today in the international marketing literature on a unique terminology for international brands (Hsieh 2002, Medina and Duffy 1998). Nevertheless, despite a growing number of terms used in this domain (e.g. local brands, global, post-global, foreign, multi-domestic…), it is most common to oppose the global brand, that standardizes its marketing across its different markets, to the local brand that adapts its marketing to cultural and socio-economic settings (e.g. Aaker and Joachimsthaler 1999, Kapferer 2005, Van Raaij 1997). This criterion reflects the importance of the standardization vs. adaptation question in international branding, often considered as one of the major research and managerial problems (Prime and Usunier 2003).

However, many researchers consider this opposition between the global and the local brand as a rigid dichotomy (Buzzell 1968, Russell and Valenzuela 2005, Svensson 2002), and propose to replace it with a more realistic brand internationalization continuum (e.g. de Chernatony, Halliburton and Bernath 1995, Hsieh and Lindridge 2005, Papavassiliou and Stathakopoulos 1997). For instance, Schuiling and Kapferer (2004) consider a third option between these two extremes, the international brand, which standardizes only a part of its marketing strategy and tactics.

The object of this article is thus twofold. First, building on the capital importance of consumer's culture for branding, we review the literature to present the social and cultural underpinnings of each of these three branding options. Then, in the second section, we present a simplified framework delimitating both the strategic questions brand managers face and the solutions they could consider when choosing the internationalization strategy of their brands. Finally we conclude by presenting the limitations of our work and future research orientations.

Social and cultural underpinnings of international branding strategy:

The question of whether to standardize or to adapt the international marketing has received great attention during the last forty years, both options presenting positive arguments as well as serious limitations. In this framework, economies of scale are and by far the main advantage of global brands (e.g. Aaker *et al.* 1999, Barron and Hollingshead 2004, Buzzell 1968, de Chernatony *et al.* 1995, Douglas, Craig et Nijssen 2001, Kapferer 2005, Levitt 1983, Melewar *et al.* 2003, Papavassiliou *et al.* 1997, Schuiling *et al.* 2004, Quelch 1999). In fact, as global brands standardize their marketing strategy and mix, this generates important cost savings in many areas of their marketing (e.g. R&D, promotion), thus allowing the brand to poor more investments into its marketing actions and/or to have more competitive prices than its local competitors. Furthermore, with distribution channels going global, global brands seem to have much better bargaining power than local ones (Barron *et al.* 2004, de Chernatony *et al.* 1995). Important international brand equity also allows these brands to better conquer new markets (Douglas *et al.* 2001), launch new products (Schuiling *et al.* 2004) and brand extensions (Quelch 1999).

While these important advantages of global brands are mostly on the supply side (de Chernatony *et al.* 1995), global standardization can also be a source of added value for consumers. In fact, standardizing marketing strategy and mix can assure a strong, unique and consistent brand image across markets (Melewar *et al.* 2003, Schuiling *et al.* 2004). Thus, Johansson and Ronkainen (2005) found that global brands are associated with greater esteem, while Steenkamp, Batra and Alden (2003) found that brand globalization positively impacts perceived quality and brand prestige. Alden, Steenkamp and Batra (1999) explain this better perception by consumers' feeling of belonging to a superior, more prestigious segment when consuming global brands. Nevertheless, this added value for consumers is minor when considering the demand side of the standardization/adaptation issue, where cultural differences are still the main barrier to global branding.

In fact, even in the globalization era, cultural differences are still important today and widely impact consumers' behaviour. In a general way, Hofstede (1980) uses the terms of "mental programming" to emphasise the importance of culture on people's general behaviour, even though he recognizes the role of individual personality and refutes cultural determinism. On a more specific ground, concerning consumption issues, Cleveland and Laroche (2007, p.250) note that, *"more than any other factor, culture is the prime determinant of consumers' attitudes, behaviours and lifestyles, and therefore, the needs that consumers satisfy through the acquisition and use of goods and services"*. Thus, a standardized approach on a global scale may not be appropriate, since consumers reinterpret the brand's marketing actions according to their cultural backgrounds and lenses, in such a way that the brand perception by the consumers often diverges from the brand expression sent by the firm (Van Gelder 2004). Therefore, local brands' proximity to local culture allows them to build better relations with their consumers and to better respond to their needs; therefore this proximity is one of their most important assets (Schuiling *et al.* 2004).

Nevertheless, a global brand vision is not necessarily in conflict with the respect of consumers' culture. On the contrary, in his seminal paper on *the globalization of markets*, Levitt (1983) considers that the economies of scale and scope that a global brand must seek in its standardization process can finally be achieved because of the convergence of consumers across markets. Thus, he builds on consumers' culture and uses it as the main argument for brand standardization. According to Levitt (1983), technology is the most powerful determinant of human preferences. Indeed, by "proletarianizing" tourism, transport and communication, it participates in the convergence of cultures on a global scale, and more precisely of consumers' tastes and desires. Therefore, these tastes and desires are homogenized in a new world culture mainly characterised by modernity, where cultural differences are no more than "vestiges of the past" (Levitt 1983). Building on this new homogeneous consumer culture, brand globalization becomes at the same time the most suited response to consumers' demand as well as the most competitive option from the supply side.

The idea of a convergence in consumers' culture is not recent. Already in 1968, Buzzell considered that tourism and pan-European magazines had an important impact on consumers on different European markets, creating important similarities. Internet and electronic mobility have since accentuated these movements allowing people to reach diverse cultures by electronic mediation (Firat 1997, Quelch 1999). Other factors such as consumers' exposition to marketing actions from multinational corporations or the great use of English as the language of modernity (Cleveland *et al.* 2007) have also participated in the convergence towards this new global consumer culture that can be defined as *"shared sets of consumption-related symbols (product categories, brands, consumption activities, and so forth) that are meaningful to segment members"* (Alden *et al.* 1999, p.75). Members of the new transnational segments defining this deterritotialized global culture (Cleveland *et al.* 2007) do not necessarily have common national, religious, ethnic or historical background (Firat 1997) but share consumption related issues such as seeking similar benefits or sharing similar brand related values (Hassan and Craft 2005).

However, even though the idea of a global consumer culture is very tempting in the current context of globalization, it lacks empirical validation. Moreover, many researchers question the validity of the concept. For instance, Hassan, Craft and Kortam (2003) consider the idea of a global segment responding to standardized marketing actions in a homogeneous way as unrealistic. The answer to this dilemma opposing the local and the global might be found in an intermediate representation of culture, considering both influences on consumers of local cultures and of the strong vectors of global convergence. Globalization in its actual state is a complex phenomenon presenting two opposite trends. On the one hand, shared consumption symbols and lifestyles, and the diffusion of the same products, brands and programmes push toward a transnational, global culture in a sort of sameness on a planetary scale. On the other hand, tourism and world media strongly highlight local cultures, customs and lifestyles for which there is more and more growing interest. Thus both the convergent trend for cultural homogenization and the divergent one for cultural heterogenization coexist today and simultaneously influence consumers across the world (Appadurai 1990, Cleveland *et al.* 2007, Maynard and Tian 2004).

People around the world seem thus to experience both trends, being subject to their original cultural programming and exposed, through the medias, their travels and their consumption experiences to different cultures as well as to the global culture. Therefore, the divergent and convergent trends to which consumers are subject today result in a culture that is neither quite global and homogeneous across countries, nor really a set of different local cultures, but a state of "fragmentation" (Firat 1997) where these different cultures coexist and are interchangeable. In this framework, consumers no longer belong to only one group nor do they present one unique cultural identity, but operate a "bricolage" of different cultural forms by adapting to different contexts and situations, mainly of consumption (Jamal 2003, Russell *et al.* 2005). This diversity also characterizes consumption choices. In fact, the consumer of this post-modern era that Firat (1997) calls the post-consumer uses the consumption act to construct his ideal self, always seeking diverse and non uniform experiences.

Concerning our research question and the choice between standardization and adaptation, this new fragmented consumer culture, seeking to combine the local, the foreign and the global, can no longer be satisfied by a totally globalized offer. Kjeldgaard (2002) concludes from a study on the prototypical global segment of youth that young people seek global symbols but imbue them with local meanings. A brand that operates in different countries should thus be able to respond to this double demand of "glocalization". By only considering the effects of one culture on their consumers, international brands risk failure (Firat 1997). The rigid dichotomy between total standardization and total adaptation of the marketing options of an international brand - that Buzzell (1968) considers as neither feasible nor desirable - becomes therefore obsolete. Instead, researchers recommend considering intermediate solutions combining both options when developing international marketing strategy and mix (e.g. de Chernatony *et al.* 1995, Hsieh *et al.* 2005, Papavassiliou *et al.* 1997). In the next section we present and discuss the strategic questions and options that managers face when positioning their brands in regard to these intermediate solutions.

International standardization: strategic questions and options:

Based on both demand and supply driven considerations, international brands face today the challenge of a selective globalization (Kapferer 2005). Yet, it is important to determine the elements that need to be considered in this process and the decision criteria, as well as the different strategic options that can be followed.

a) Three questions to determine the international brand's strategy:

A glocal marketing strategy is certainly a far more realistic option than a local or a global one for most international brands, but it is also far more complicated. Buzzell (1968, p.103) modelled this problem as follows: *"which elements of the marketing strategy can or should be standardized, and to what degree?"* Other researchers added the question of under which conditions this decision must be taken (Papavassiliou *et al.* 1997, Theodosiou and Leonidou 2003).

The range of standardization. The first important question to determine an international brand's standardization strategy concerns the elements that need to be considered. In fact, in a selective standardization logic, managers face a great number of elements, both strategic and operational, on which they have to decide if they should standardize or on the contrary adapt to local conditions. Even on each variable of the marketing mix, many elements can be considered. For instance, Van Raaij (1997) considers that when it comes to a brand's international communication strategy, the standardization question should address four different elements of this strategy, namely the mission, the proposition, the concept and the execution. The number of elements to consider being too high, it is impossible to make a list of which elements can (not) and should (not) be standardized.

However, an extensive review of the literature shows two widely shared principles. First, most researchers distinguish strategic options from operational ones in a sequential decision process. Thus, de Chernatony *et al.* (1995) consider the standardization of the international marketing as a double sequence with at first a reflection on the brand's core essence, and then a reflection on its operational executions. In a parallel analysis, Roth (1995) proposes that the decision of weather or not to standardize the elements of the marketing mix should come after the decision of weather or not to standardize the international brand's image. Second, international managers should seek standardization whenever possible, and when adaptations are necessary, they should concern marketing executions (the marketing mix elements) and not the principles guiding the international brand and defining its core essence (de Chernatony *et al.* 1995, Keegan 2002, Melewar *et al.* 2003, Quelch 1999). The main argument is that in a world where consumers travel a lot and are frequently exposed to foreign media, they would tolerate different brand executions but would search for the same brand essence wherever they are (de Chernatony *et al.* 1995). The consistency of the brand's core essence reflected in its international image becomes a necessary condition to its success and continuity across markets and cultures (Quelch 1999, Melewar *et al.* 2003).

The geographic scale of standardization. Two geographic options for standardization coexist. On one hand, international brands can standardize on a global scale, varying their marketing executions between different transnational segments, each one covering the entire national markets addressed by the brand. On the other hand, in a regional strategy, different national markets can be regrouped in a limited number of clusters, with brands adapting their executions to each cluster. Douglas *et al.* (2001) consider the question of geographic scale as one of the three pillars in building international brand architecture. It is far from being consensual, both in academic recommendations as well as in managerial practices.

In fact, from a theoretical point of view, while Levitt (1983) strongly recommends considering the world as a unique market, others insist on the fact that similarities sometimes exist only inside groups of countries, usually close geographically, recommending thus regionalization of international brands (Hsieh 2002, Roth 1995). Moreover, on a managerial ground, both regional and global options coexist today, and sometimes they are both found in the international brands portfolio of a same multinational corporation (Douglas *et al.* 2001). According to Kapferer (2005), brand regionalization can be used as a selective globalization of the post-global brand, being somewhere between the local and the global. These regional strategies can be built on clusters of countries grouped according to their cultural dimensions (cf. Hofstede 1980) or regions having achieved political and economical integration processes such as the European Union.

Decision criteria. When considering the two former questions, it is important that international managers have a limited number of decision criteria on which to base these strategic choices. Different typologies (e.g. Douglas *et al.* 2001, Papavassiliou *et al.* 1997, Van Raaij 1997) regroup a great number of elements in a restricted number of homogeneous determinants, varying from three to seven. These complex analysis frameworks have in common the idea that adapting or standardizing international marketing is not a dogmatic decision but should correspond to an analysis of the brand, its history, its public, its markets and its micro- and macro-environments, also known as the contingent factors at a given time on a given market (Theodosiou *et al.* 2003).

These factors can be grouped in three main categories. First, on the most global level, we find the local environment of the brand also called macro-environment. This category considers similarities and differences in socio-cultural and economic levels between the different target markets as well as in market structures such as legal conditions and media infrastructures. The second category regroups factors related to the company that owns the brand, especially its centralisation degree, but also factors such as its international expansion strategy or the diversity of its products. Finally, the third category relates directly to the brand and concerns mainly its target segments and the products and services it offers (e.g. Douglas *et al.* 2001, Papavassiliou *et al.* 1997, Theodosiou *et al.* 2003, Van Raaij 1997).

b) A simplified framework for international branding :

The different typologies that we have presented are too complex to be used by managers to decide on their standardization options. In fact, Papavassiliou *et al.* (1997) simplify their own framework by retaining only one factor, consumers' implication, to determine the international branding options. In this last paragraph, we suggest a simplified framework based on two factors concerning the product (or service) category and the target market, and present finally our strategic matrix for brand internationalization options.

Products global vocation. The nature of the product or service offered by an international brand has a considerable impact on its capacity to standardize its marketing or on the contrary on the necessity to adapt it. Product category is thus one of the most cited determinants of the standardization strategy in the different articles and frameworks (e.g. Alden *et al.* 1999, Quelch 1999, Theodosiou *et al.* 2003, Van Raaij 1997). Moreover, Hassan *et al.* (2003) consider that all product categories do not show the same global potential, and recommend that international marketing strategies should strongly take this into consideration. Thus, the more a brand operates in a product category with strong global vocation, the more it could easily standardize elements of its marketing.

To our knowledge, there are no scales for measuring the global vocation of product categories. However, based on an extensive literature review, we suggest six a priori determinants of this global vocation:

- Universality of the needs or sought benefice to which the brand responds (Hassan *et al.* 2003, Quelch 1999). This factor is closely linked to the universality of the target segment.
- Technology intensive, and more particularly digital products, are considered easier to standardize (Alden *et al.* 1999, Hassan *et al.* 2003, Medina *et al.* 1998, Quelch 1999, Theodosiou *et al.* 2003).
- High Touch products with universally shared values as heroism or romance (Hassan *et al.* 2003, Quelch 1999).
- Products nature, that is industrial or commercial, with B to B products being easier to standardize (Prime and Usunier 2003, Quelch 1999, Theodosiou *et al.* 2003).
- Products' stage of lifecycle on the different markets (Theodosiou *et al.* 2003, Van Raaij 1997).
- Products' cultural embededness, 'culture free' products being easier to standardize than 'culture bound' ones (Alden *et al*. 1999, Prime *et al.* 2003).

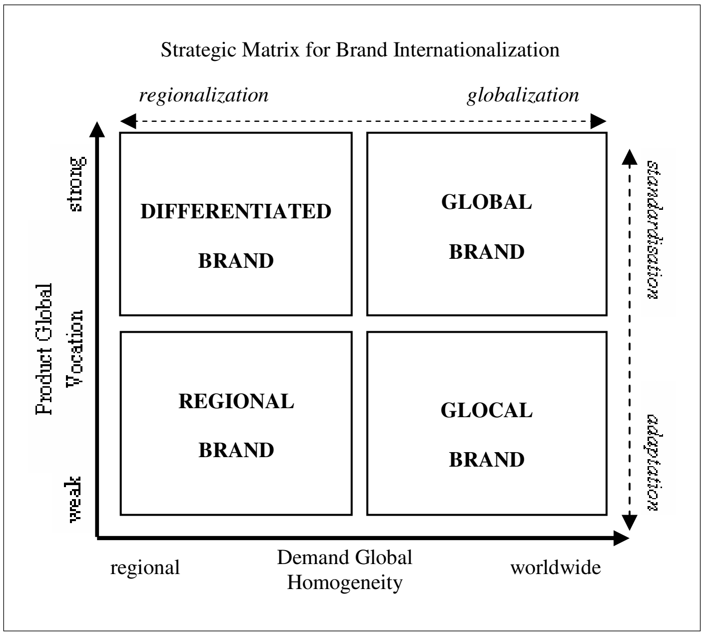
Geographic range of target segments. Standardization of the marketing being based on the hypothesis of consumer convergence, it is important to determine the range of geographic segments in order to decide on the scale of geographic standardization. Thus, international segmentation is a prerequisite to the development of international strategies and positioning (Hassan *et al.* 2003, Steenkamp and Ter Hofstede 2002). In this framework, Van Raaij (1997) distinguishes vertical segmentation with homogeneous groups of countries from horizontal segmentation highlighting true global segments. It is only in the case of horizontal segments that the international brand should globalize its marketing (Barron *et al.* 2004, Steenkamp *et al.* 2002), while in case of vertical segments it should consider regionalizing.

Due to important methodological differences, there is no consensus on how international segmentation should be led (Barron *et al.* 2004, Hassan *et al.* 2003, Nachum 1994). Building on the importance of the convergence in consumers' culture for our research question, we suggest segmenting the market according to the homogeneity of this culture, and measuring this homogeneity with six a priori categories of determinants found in the relevant literature:

- Homogeneity of consumers' needs, desires, and tastes (Hassan *et al.* 2003, Papavassiliou *et al.* 1997, Theodosiou *et al.* 2003).
- Homogeneity in consumer behaviour in general.
- Homogeneity vis-à-vis the product category, that is sought benefice and consumption modes (Hassan *et al.* 2003, Alden *et al.* 1999).
- Homogeneity in shared values (Hassan *et al.* 2005) or on cultural dimensions (Hofstede 1980).
- Homogeneity in the acculturation to the global consumer culture. Cleveland *et al.* (2007) identify seven dimensions of this factor such as cosmopolitanism.

- Homogeneity on socio-economic level.

The strategic matrix for brand internationalization. Building on these two correlated dimensions, we present a matrix of four strategic options.



- *Global brand strategy:* Product categories with high global vocation targeting a globally homogeneous public, as in the case of computers. Brand strategy is to highly standardize brand essence as well as executions.
- *Glocal brand strategy:* Products with weak global vocation targeting a globally homogeneous public. The brand should standardize its essence across markets and adapt its executions to regional and even local conditions. Global information media with a unique image based on precision and objectivity adapting some of their executions (e.g. news presenters, information order) are an example (cf. BBC case study by Melewar *et al.* 2003).
- *Regional brand strategy:* Product's global vocation is weak, and demand homogeneity is regional, as in the case of food. A different regional brand line should be created for each region. Adaptations should take into consideration global brand consistency.
- *Differentiated brand strategy:* Product is highly global while demand has regional characteristics, such as in banking. The brand should standardize its executions, especially in back office and process, seeking economies of scale, and differentiate its essence (mainly through communication and brand personality) to meet regional targets.

Conclusion:

Building on deep changes in consumers' cultures around the world, this paper addressed the question of international branding, by presenting a matrix of four different strategic options, based on a simplified framework of two dimensions that are products' global vocation and targets' homogeneity. Previous existing frameworks concentrated on only one issue of the marketing strategy (e.g. Van Raaij 1997) or were very complicated to use (e.g. Douglas *et al.* 2001, Papavassiliou *et al.* 1997). However, in order to be fully operational, our dimensions need empirical validation. Thus future research should focus on validating the proposed determinants of each dimension and eventually uncovering new ones.

References

Aaker D., Joachimsthaler E. The lure of global branding. Harvard Business Review 1999 (November-December): 137-144.

Alden D., Steenkamp J-B., Batra R. Brand positioning through advertising in Asia, North America, and Europe: The role of global consumer culture. Journal of Marketing 1999; 63 (January): 75-87.

Appadurai A. Disjuncture and difference in the global economy. Theory, Culture and Society 1990; 7 (2-3): 295-310.

Barron J., Hollingshead J. Brand globally, market locally. Journal of Business Strategy 2004; 25 (1): 9-15.

Buzzell R. Can you standardize multinational marketing? Harvard Business Review 1968 (November-December): 102-113.

Cleveland M., Laroche M. Acculturation to the global consumer culture: Scale development and research paradigm. Journal of Business Research 2007; 60 (3): 249-259.

De Chernatony L., Halliburton C., Bernath R. International branding: demand- or supply-driven opportunity? International Marketing Review 1995; 12 (2): 9-21.

Douglas S., Craig S., Nijssen E. Integrating branding strategy across markets: Building international brand architecture. Journal of International Marketing 2001; 9 (2): 97-114.

Firat F. Globalization of fragmentation: A framework for understanding contemporary global markets. Journal of International Marketing 1997; 5 (2): 77-86.

Hassan S., Craft S., Kortam W. Understanding the new bases for global market segmentation. Journal of Consumer Marketing 2003; 20 (5): 446-462.

Hassan S., Craft S. Linking global market segmentation decisions with strategic positioning options. Journal of Consumer Marketing 2005; 22 (2): 81-89.

Hofstede G. Culture's Consequences: International differences in work related values. Beverly Hills CA: Sage Publications, 1980.

Hsieh M. Identifying brand image dimensionality and measuring the degree of brand globalization: A cross-national study. Journal of International Marketing 2002; 10 (2): 46-67.

Hsieh M., Lindridge A. Universal appeals with local specifications. Journal of Product and Brand Management 2005; 14 (1): 14-28.

Jamal A. Marketing in a multicultural world: The interplay of marketing, ethnicity and consumption. European Journal of Marketing 2003; 37 (11/12): 1599-1620.

Johansson J., Ronkainen I. The esteem of global brands. Journal of Brand Management 2005; 12 (5): 339-354.

Kapferer J-N. The post-global brand. Journal of Brand Management 2005; 12 (5): 319-324.

Keegan W.J. Global Marketing Management. Prentice Hall, NJ, 2002.

Kjeldgaard D. Youth identities and consumer culture: Navigating local landscapes of global symbols. Advances in Consumer Research 2002; 29: 387-392.

Levitt T. The globalization of markets. Harvard Business Review 1983 (May-June): 92-102.

Maynard M., Tian Y. Between global and glocal: content analysis of the Chinese websites of the 100 top global brands. Public Relations Review 2004; 30: 285-291.

Medina J., Duffy M. Standardization vs. globalization: A new perspective of brand strategies. Journal of Product and Brand Management 1998; 7 (3): 223-243.

Melewar T., Walker C. Global corporate brand building: Guidelines and case studies. Journal of Brand Management 2003; 11 (2): 157-170.

Nachum L. The choice of variables for segmentation of the international market. International marketing review 1994; 11 (3): 54-67.

Papavassiliou N., Stathakopoulos V. Standardization versus adaptation of international advertising strategies: Toward a framework. European Journal of Marketing 1997; 31 (7): 504-527.

Prime N., Usunier J-C. Marketing international, développement des marchés et management multiculturel. Paris: Vuibert, 2003.

Quelch J. Global brands: taking stock. Business Strategy Review 1999; 10 (1): 1-14.

Roth M. Effects of global market conditions on brand image customization and brand performance. Journal of Advertising 1995; 24 (4): 55-72.

Russell C., Valenzuela A. Global Consumption: (How) does culture matter? Advances in Consumer Research 2005; 32: 86-89.

Schuiling I., Kapferer J-N. Real differences between local and international brands: Strategic implications for international marketers. Journal of International Marketing 2004; 12 (4): 97-112.

Steenkamp J-B., Ter Hofstede F. International market segmentation: Issues and perspectives. International Journal of Research in Marketing 2002; 19: 185-213.

Steenkamp J-B., Batra R., Alden D. How perceived brand globalness creates brand value. Journal of International Business Studies 2003; 34: 53-65.

Svensson G. Beyond global marketing and the globalization of marketing activities. Management decision 2002; 40 (6): 574-583.

Theodosiou M., Leonidou L. Standardization versus adaptation of international marketing strategy: An integrative assessment of the empirical research. International Business Review 2003; 12: 141-171.

Van Gelder S. Global brand strategy. Journal of Brand Management 2004; 12 (1): 39-48.

Van Raaij F. Globalization of marketing communication? Journal of Economic Psychology 1997; 18: 259-270.