

1.10: Standardization and Customization

Learning Objectives

After reading this section, students should be able to ...

1. make the argument for standardized marketing
2. make the argument to localize marketing
3. make the case for blending standardization and localization

Most of the basic principles for effective marketing apply equally well to domestic and global marketing activity. However, globalization introduces a number of challenges that are unique to operating simultaneously in different countries and global markets. What is the best way to enter a global market? When should you adjust a product's features to customize it to consumer needs in a different global market? How do you manage the costs and complexities of product promotion when it must take place in different locations, with different languages, cultural sensitivities and consumer expectations? What considerations should go into product pricing, when a good is offered in different markets using different currencies and exchange rates?

In 1983, Harvard marketing professor Theodore Levitt wrote an article entitled, "The Globalization of Markets", and nothing about marketing has been the same since. According to Levitt, a new economic reality—the emergence of global consumer markets for single standard products—has been triggered in part by technological developments. Worldwide communications ensure the instant diffusion of new lifestyles and pave the way for a wholesale transfer of goods and services.

Adopting this global strategy provides a competitive advantage in cost and effectiveness. In contrast to multinational companies, standardized (global) corporations view the world or its major regions as one entity instead of a collection of national markets. These world marketers compete on a basis of appropriate value: i.e. an optimal combination of price, quality, reliability, and delivery of products that are identical in design and function. Ultimately, consumers tend to prefer a good price/quality ratio to a highly customized but less cost-effective item.

Levitt distinguished between products and brands. While the global product itself is standardized or sold with only minor modifications, the branding, positioning, and promotion may have to reflect local conditions.

Critics of Levitt's perspective suggest that his argument for global standardization is incorrect and that each market strategy should be customized for each country. Kotler notes that one study found that 80 per cent of US exports required one or more adaptations. Furthermore, the average product requires at least four to five adaptations out of a set of eleven marketing elements: labeling, packaging, materials, colors, name, product features, advertising themes, media, execution, price, and sales promotion. Kotler suggests that all eleven factors should be evaluated before standardization is considered.

To date, no one has empirically validated either perspective. While critics of Levitt can offer thousands of anecdotes contradicting the validity of standardization, a more careful read of Levitt's ideas indicate that he offers standardization as a strategic option, not a fact. Although global marketing has its pitfalls, it can also yield impressive advantages. Standardized products can lower operating costs. Even more important, effective coordination can exploit a company's best product and marketing ideas.

Too often, executives view global marketing as an either/or proposition—either full standardization or local control. But when a global approach can fall anywhere on a spectrum—from tight worldwide coordination on programming details to loose agreements on a product ideas—there is no reason for this extreme view. In applying the global marketing concept and making it work, flexibility is essential. The big issue today is not whether to go global, but how to tailor the global marketing concept to fit each business and how to make it work.

Global Marketing Strategies

U.S. firms choose to engage in international marketing for many reasons, the most attractive of which are market expansion and new profit opportunities. When a firm chooses to market internationally, it must decide whether to adjust its domestic marketing program—depending on how much centralized control a firm wishes to maintain over its marketing. If an organization wants to maintain strong centralized control and uniformity in its products and marketing activities, it is choosing a strategy called *standardization*. If an organization wants to adjust products, messaging, and marketing activities to fit the needs and preferences of local markets around the world, it is choosing a *localization* strategy. You'll recall our earlier discussion of the unique flavors of Oreo cookies developed for the Chinese market: that's an example of a localization strategy.

Global Standardization: The Argument for Standardized Marketing

To the extent that global consumers desire standardized products, companies can pursue a global standardization strategy. Using this approach, a product and the way in which it is marketed are largely uniform across the world, with little variation in the marketing mix from country to country. Advocates of standardization strategy argue that companies can achieve competitive advantage by offering the optimal combination of price, quality, and reliability with products that are identical in design and function throughout the world; they also claim that consumers will prefer this standardized product to a highly localized product that is also more expensive.

Standardization can translate into lower operating costs because there aren't extra costs associated with developing and marketing unique products tailored to local market needs. It also expands the customer base receptive to a common global product. There is no need to adjust product features, naming, or other attributes for each new market, and marketing materials themselves can be repurposed across different world regions. Below are the primary benefits of a global standardization strategy:

Marketers can use the same approach for developing, promoting, and delivering products and services worldwide, creating lower operating costs and economies of scale in product development and marketing

The ability to develop and invest in a unified brand and/or company identity throughout the world, along with the opportunity to develop brand awareness and brand equity that give a competitive advantage

Product lines that consist of a small number of global brands rather than a plethora of localized product brands and extensions, along with cost savings and improved efficiencies associated with managing a smaller total number of brands

Companies that pursue this approach assume that consumer needs are relatively homogenous around the world and that the same basic marketing mix will work across global markets. These organizations typically have a centralized approach to the marketing function and try to minimize the need for developing localized marketing strategies.

The case for a standardization strategy was made by Harvard marketing professor Theodore Levitt in his 1983 article, "The Globalization of Markets." He argued that technology and worldwide communications have helped trigger the emergence of global consumer markets that are receptive to single, standardized global products. According to Levitt, adopting a standardized global strategy provides a competitive advantage in cost and effectiveness.

Localization: The Argument to Localize Marketing

On the other end of the spectrum is localization strategy, in which firms adjust their products and marketing mix for each target market. Advocates of localization argue that, in reality, global standardization doesn't work, and in fact nearly all exported products require one or more adaptations to be successful. In work by Kotler, one study found that 80 percent of U.S. exports require one or more adaptations, and the average product requires at least four to five adaptations out of eleven different elements: labeling, packaging, materials, colors, name, product features, advertising themes, media, execution, price, and sales promotion.

Localization strategy recognizes that diversity exists in global markets and that marketers need to understand and respond to this diversity in the goods they offer and the way they market to consumers in these markets. Language, culture, customs, the physical environment, the degree of economic development, societal institutions, and other factors all contribute to how well a product fits a local market's needs. Localization may involve: 1) altering existing products to fit the needs of the local target market, or 2) creating completely new products to fit the needs of the local target market.

Although localization does increase the cost and complexity associated with developing and marketing tailored products, its supporters argue that it results in products and marketing strategy that are a better fit for local market needs and ultimately a greater sales success. A localized approach can protect companies from high-profile, disastrous consequences when a standardized product fails. Standardization is often responsible for marketing misfires like offensive marketing images, catastrophic naming, and product-design glitches. Its critics argue that standardization strategy overestimates how well any single, uniform product and marketing approach will succeed in markets all over the world.

The Middle Ground: Blending Standardization and Localization

In reality, global marketing is not an either/or proposition requiring either full standardization or localized control of product and marketing. In fact, a successful global approach can fall anywhere on a spectrum—from tight worldwide coordination on programing details to loose agreements on product ideas. Most organizations find that flexibility is essential in order to allow organizations to capitalize global opportunities available to them. The right answer for each business depends on organizational structure, leadership and operations; the product category; the markets in question; and other factors. Both strategies offer attractive

benefits as well as costs and risks. Most organizations find ways to balance the options available to them with a focus on how to maximize success in their target markets.



Few would disagree that fast-food chain McDonald's is a master of global marketing. As you watch this video, look for ways that McDonald's has blended elements of global standardization strategy with localization strategy to penetrate global markets and offer products that align perfectly with local appetites and preferences.

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