

Literature Review: Evaluation of Delivery Strategy Standardization; Adaptation within the Framework of International Strategic Marketing

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Abstract

The research is focused on the assessment of distribution strategy standardisation/adaptation in the context of international marketing strategy. For a long time, there has been a dispute on international marketing strategies, which has two viewpoints: one which suggests that global standardisation can help increase returns and minimise costs by introducing a single marketing strategy and a standardised marketing mix that will benefit from economies of scale, as well as establishing a company's global picture, and the other that advocates the notion of adaptation so as to meet the particular market with a specific dimension. This debate began as early as 1961 (Vrontis et al. 2003) with Elinder (1961) taking the concept of global advertising into account. The statement was further broadened by Buzzell (1968) by claiming that it refers to the entire marketing mix and not just to advertising alone. The different international distribution methods applicable to global markets for business and consumer goods are also analysed as the distribution for both is not comparable.

Keywords: Delivery Strategy, Standardisation, International Strategic Marketing

Introduction

In the past, disagreements between countries led Multinational Corporations (MNCs) to consider and design their marketing strategies according to each region. Followers of the concept of standardisation, however, maintain that circumstances have changed in recent times, and the experiences of a growing number of MNCs indicate that if the businesses accept the standardisation of marketing mix components, there are strong potential benefits. According to Levitt (1983), global standardisation has become generally accepted. Well-managed companies have switched from customization to global standardisation for reasons of efficiency, sophistication, practicality and lower costs.

Standardisation in international marketing

Standardisation is characterised as the way in which businesses apply marketing-mix requirements across international markets (Schilke O et al 2009). Alternatively, a standardised marketing practice refers to the use of a particular instrument in the production or implementation within the marketing strategy of a business implemented in its international service. (2005-Henry). Because of increased technological development and a greater convergence of consumer desires, expectations and tastes, exponents of standardisation perceive globalisation patterns as the driving force for greater business similarity. They claim that Standardisation is further encouraged by the

advancement of international systems of communication, the expansion of global markets and the advancement of the internet. In their view, a standardised approach will improve substantial economies of scale in the field of manufacturing and marketing, as well as adding value to the consumer, a clear corporate or brand image across different nations, reduced managerial complexity, improved control and coordination over international operations (Theodosiou et al 2002). Levitt (1983) argues that cultural disparities between countries have been resolved by technological growth, and, therefore, standardisation is the preferred choice of businesses to achieve economies of scale as well as the ability to develop and market a standard

corporate image worldwide. (Schilke, O, et al, 2009). For example, cultural overlap, demand similarity, decreased trade barriers and technological advancement allow different foreign businesses to sell standardised products using standardised marketing programmes (Zou & Cavusgil, 2002). Standardisation requires a centralised approach for company marketing programmes, and businesses adopting standardisation need to possess more marketing know-how than those involved in decentralised adaptation.

The Advantages and Disadvantages of Standardising Distribution

The investigation in the European Union of cross-market standardisation strategies is based on the research done by Henry and Chung 2005. As the standardisation approach is applied in the cross-market situation, the use of a standardised delivery policy for agents in all the European Union countries where they work, is definitely an essential consideration. As the study indicates, however, standardised delivery strategies can only be applied in countries with similar delivery infrastructures.

Advantages

The advantages of standardisation in respect of products are evident and have been thoroughly investigated. For the standardisation of delivery, the same categories can be applied.

- **Economies of Scale.** As fewer inventories are needed, stock management and distribution expenses are typically reduced.
- **R&D Costs.** Distribution standardisation would minimise the research and development costs necessary to adapt to a specific market.
- **Marketing economies.** Standardisation facilitates standardisation of promotions resulting in advertising savings. There appears to be considerable savings as companies use the same advertising strategy for different markets, thereby increasing the returns on marketing activities.
- **Global Consistency.** The organisation will market unified goods on a worldwide basis because of economic globalisation. Marketers are looking at the market becoming more homogeneous, for example, the demand for denim and pop music is growing day by day, meaning that producers can look to satisfy these demands on the same platforms worldwide.
- **Global Manufacturing.** If a business starts designing and distributing global products from a worldwide manufacturing location,

then it can be said that a standardised process exists. Here, the company may not only benefit from economies of scale, but also have the advantage of being able to transfer its focus to other supply locations without facing any concerns, particularly when there is a problem with one of the suppliers.

Disadvantages

- Upgrading. If an upgrade is required, all the nations in which the company works will need to make adjustments, which may entail government efforts to create or introduce new legislation.
- Profitability. Standardisation aims at the possibility of cost savings rather than the maximisation of income.
- Market penetration. In the development of marketing strategies, consumer tastes and expectations play a very important role. According to Levitt (1983) globalisation results in lower prices and better-quality goods and services, and consumers are drawn to lower-priced products and no longer prefer local products. Lower rates and heavy discounts, however, do not ensure market penetration. If one looks at the European Union, which is considered homogeneous, there are still gaps and variations between customers. The producer must then consider the customer and the market reach he wants to provide in conjunction with the marketing strategies and then prepare his delivery strategy.
- Uneven consumer buying power. In terms of standard of living, skills and abilities required in the specific sector, there are some differences between countries. For example, lower per capita income markets are more likely to have less buying power. This means that, according to the individual market, the delivery methods would have to be altered in accordance with market realities.
- Domestic regulations. In order to protect the interests of their economies, government rules and ties are developed and this can entail a change of strategy. Monopoly laws and stronger channel members may cause the business to adjust its own policies and strategies that will invariably have to comply with the government's rules and regulations that make standardisation impossible.

Adaptation

Adaptation proponents claim that global marketing is fascinating because it blends business, science and art with other disciplines, such as anthropology, economics, geography, cultural studies and history. In international marketing, companies have to adapt their positions to deal with a number of constraints presented in foreign markets, at governmental and local levels: for example, economic factors, including customer purchasing power, climate conditions, topography, ethnicity, political stability, employment conditions and regulations, as well as cultural differences in regions within a country in respect of faith, education, attitudes, beliefs, manners and customs and aesthetics

(Demetris, 2003). Proponents of adaptation maintain that despite the growing movement towards globalisation, disparities between nations remain too great and thus require the business to adjust its marketing strategy to the various circumstances of each foreign market. Furthermore, the company's ultimate aim is not to minimise costs by standardisation but to achieve long-term profitability, since higher profits come from the proper use of different customer demands in different foreign markets. Standardisation is considered to be a marketing myopia that simplifies the principles of marketing as well as opposes them (Rugman and Brewer, 2003: 320).

Adaptation in Distribution Strategy

Adaptation does not need to be a defensive tactic. Companies that shift supply chains are also effective in introducing new goods or entering new markets during the period they change their strategies (Harvard Business Review, Oct 2004). A standardisation approach to the global marketing strategy may not be sufficient to operationalise a market distribution strategy abroad, as it is very important for global marketers to understand the distribution patterns and systems in different markets. There is a need to conduct a comparative marketing analysis for this. In various continents such as Africa, Asia

and Latin America, distribution is possibly highly adapted to different circumstances as government regulations and the local customer differences serve as barriers to standardising distribution processes and channels. For example, Avon had to develop distribution techniques other than door-to-door and other direct sale methods in Thailand and Japan, because of distribution constraints faced in those countries. A manufacturer must bear in mind that a specific type of retailer cannot operate in the same way as in all countries due to adaptation. For example, a US supermarket might emphasise a lower gross profit margin, whereas its foreign counterpart may have a comparatively high gross profit margin. It follows then, when a specific distribution method has proven to be helpful in one country or region, it may not function in another and the company will need to adapt to that country's requirements. (Onkvisit and Shaw, 2004: 361).

Worldwide differences in the distribution system and its accessibility, as well as the coverage of different types of distribution networks, also makes adaptation the only viable local market distribution strategy solution. Particularly in

developing countries, the identification and implementation of effective distribution channels is critically important to the business. According to Douglas, et al (1995, pg 235) differences in the purchasing behaviour of the consumer along with preferred facilities, government rules, regulations and interference in the sales channel along with competitor management must be taken into account when designing a distribution plan in foreign markets. Global companies need to be fully aware of the trends in distribution prevailing in the international marketplace. It is misleading to consider that the distribution of the channel in the global market is identical to the distribution in the local market. The various factors that companies must consider in respect of taking a strategic approach to distribution are discussed below:

General Patterns

The distribution channel pattern between different countries is very difficult to generalise. It is as complicated as generalising people's actions. Marketing strategies are proving to be different within the European Union itself. It is therefore considered prudent that no foreign

market should be generalised in terms of distribution.

Middlemen Services. The service attitudes of individuals vary greatly at both retail and wholesale levels in terms of their work as distributors, or in terms of different other services from country to country. In this situation, therefore, the Company must align its efforts with the efforts of the middle man.

Line Breath. Each country has a particular pattern in relation to the breath of the line carried by both the wholesaler and the retailer. Some nations seem to have the distribution system led by an intermediary who transmits or can get everything. In other cases, specialists dealing in extremely narrow lines seem to oversee the process. In certain nations, government laws restrict the breath of line that can be issued by the intermediary, in addition to imposing licencing requirements for some products.

Costs and Margins. Depending upon competitive strength, productivity, services rendered, the extent of the inefficiencies, geographical factors and the turnover relative to the market size, tradition and a few other basic determinants,

costs and middleman margins vary widely from country to country. For example, in India, there seems to be highly competitive rivalry in the urban market as opposed to the rural market in terms of costs and margins.

Channel Length. The degree of economic growth and the length of the distribution channel appears to be related. For industrial products and costly consumer goods in many countries, the distribution channel seems shorter in respect of lower cost items. The channel length can vary accordingly and can be longer or shorter.

Non-existent Channels. Adequate market coverage by a simple distribution channel is almost impossible in many countries. There are sometimes no appropriate mechanisms, and different distribution networks are required to meet the various consumer segments.

Blocked Channels. Channel blockage may take place on account of existing rivals in the market who, by preventing distribution through the middleman's association, may also have the effect of restricting the alternatives available to the manufacturer. Therefore, it is possible to bar

a producer from the marketplace by forming rival partnerships and increasing competition.

Power and Competition. In countries where a small number of large wholesalers sell to a vast number of small brokers, distribution capacity tends to be concentrated in a few companies. Normally, major wholesalers fund middlemen. The strong loyalty they command from their clients helps them to block existing distribution networks effectively and force an outsider to rely on less effective and costly distribution methods.

Customer Shopping Patterns. Preferences and habits of consumer shopping differ considerably from one country to the other and are considered to be a major factor in designing the distribution strategy. In order to create the nature and spatial design of retail delivery, variables such as population, consumer mobility, and demand for service are considered essential elements. For example, US individuals typically have access to a car that allows them to travel to large shopping malls; so the company should look at the availability of parking before selecting a store in this case. These consumers are likely to buy in bulk and not very often, so it is appropriate to consider these factors in developing the delivery

strategy. Where consumers shop regularly and in small amounts, as is the case in Japan, where housewives shop for food every day or twice a day, the distribution strategy must be prepared on the basis of this trend.

Competitors' Distribution Strategies. The organisation must also consider the distribution of the competitor in the implementation of its own distribution plan. For example, if the rival has already captured the distribution of the primary line and the other company has the option of using the second distribution line, then the second option may be less effective and more costly, as it may not be able to offer the quality of support and promotion the organisation requires. Preventive action by competitors can also impede entry into a market by blocking access to distribution channels. For example, Kellogg faced challenges in respect of distribution when they tried to sell Quaker Oats in retailer's shops in a particular country and had to partner with Nestle to resolve the problem.

Government Regulations. Regulations and government rules play a critical role in the development of the distribution strategy and can entail the appropriate adaptation of distribution

policies. Since these policies will protect smaller retailers, these policies have proven to be effective and are vital for the survival of the businesses. By creating government-controlled monopolies, the government will directly interfere in the distribution. The Government can also create monopolies for the distribution of products such as alcohol, tea, tobacco and salt. (Douglas, 1995: 237).

International Distribution Channels. The manufacturer is linked by a distribution system to the customers and attaches considerable importance to decisions made about distribution networks. Companies can assess the effectiveness of the current system and, on the basis of results, can choose the most appropriate distribution channels for the business.

Indirect and Direct Channels. Identifying intermediaries is one of the key choices that international companies have to make, whether the product is sold directly or indirectly. Direct distribution provides a company with greater control over a product, but it requires accountability and dedication to implement successfully and poses some potential risks. In contrast, indirect distribution, which involves the

use of foreign sales representatives or distributors, or the company's own sales force, or distribution outlets within a country can be considered a better alternative. It will not affect a company's centralised control over distribution channels in various countries, as it is not incorporated within the business. In addition, indirect control over distribution channels allows companies to invest less in resources and reduce the time spent on training and managing operations. An independent distribution channel also helps an international business to prosper in respect of achieving economies of scale and to benefit from the expertise of specialist distributors in overseas markets.

Advantages

- Following a strategy of adaptation, the business would enable customers to meet their goals, namely optimising profits and becoming competitive in the market, by embracing a country's cultural traditions, rules and regulations, adapting to conditions of the domestic market and working with local people.
- Adaptation is long-term and seeks not cost savings but to optimise profit and benefits.
- Adjusting to the product and the supply chain provides substantial economies of scale as well as marketing and sales advantages. For

example, if the local postal services are inefficient, a business which has been selling catalogue sales could find an alternate delivery route. A retail catalogue business in Mexico confronted this situation by changing its distribution channel and employing a network of school teachers. Such a move may be costly, but the company has to justify these costs in relation to the benefits.

Disadvantages

- In contrast with standardisation, adaptation is challenging.
- Adaptation is a long-term viewpoint that can be time-consuming and expensive. Prior to introducing the new plan, the competition has to be carefully analysed and researched.
- Adaptation decreases organisational control as it can incorporate decentralisation, which can be expensive and requires management to look constantly into matters.
- It could be risky to implement the new strategy as the company will not have any experience with the new distribution methods and would need time to adapt. Consequently, a change in one of the variables can affect related factors; so the company should be very careful about the cost of opportunity as well as the variable cost.
- Adaptation requires time and resources to develop and implement.

Standardization versus Adaptation

Another group of researchers applies a contingency point of view to the debate on standardization versus adaptation. In their opinion, standardisation and adaptation must not be seen separately from each other, but as the two ends of a similar spectrum, where the size of the marketing campaign of the organisation will differ between the two ends, as to whether the marketing strategy should be standardised or adaptations should be made, according to the specific situation. Decisions should be based upon careful study and relevant framework assessments. Judgments should be made on the basis of the particular strategy's impact upon the success of the organisation in foreign markets (Quelch & Hoff, 1986; Onkvisit & Shaw, 1987; Jain, 1989; Cavusgil & Zou, 1994). The challenge for the global organisation, therefore, is to determine which particular strategic components need to be introduced in order to achieve the desired result based on standardisation and adaptation at what levels and under what conditions.

In recent times, in order to become genuinely global competitors, the challenge faced by

businesses is to have a global competitive advantage. This critical success factor can be accomplished by providing global customers with added value by offering them advantages that are considerably superior to those provided by rivals on the market. Businesses must also assertively aim to obtain cost efficiencies, which, in turn, would make it easier for firms to get more value for capital than their rivals. These days, in practise, businesses manage these incompatible needs by adapting methods that are suitable to their own situation, and by managing the varying degrees of standardisation or adaptation according to different elements of international marketing. (Doole et al 2004 pg 189)

Criteria for standardization and adaptation Decisions

Nature of the Product. Industrial products such as pharmaceutical products typically need less modification than consumer products and businesses might well benefit from standardisation approaches. Companies focused upon products, like food and beverages, however, might rely more on adaptation, due to changing consumer tastes and preferences.

Consequently, distribution strategies might require various adjustments in other countries.

Market Environment. A company's decision to standardise or change distribution methods may be decided for different reasons in the overseas market; in particular, the atmosphere for competition as well as political and legal aspects, including the climate for handling goods.

Market development. Strategies also depend on the product life cycle. For example, marketing and distribution strategies for products in the mature stage of development will differ markedly from the same product introduced in its initial stage of development in another country.

Infrastructure. This refers in particular to the institutions and roles that would support the customer service sought by retailers. It will include channel representatives, logistical assistance such as warehousing, transport, advertisement and accessible media and financial agents. The availability of unreliable intermediaries, such as retailers and other channel representatives, would impede after-sales operations. This will contribute to the

adaptation of successful delivery methods to address this problem.

Cost-Benefits Analysis. Finally, the company is responsible for the type of techniques that have been adopted and the extent to which they support the company. Adaptation is ultimately implemented to maximise profits. If this aim is not accomplished, then adaptation is not required.

Conclusion

This paper covers the facets of standardisation and adaptation from an international marketing perspective with regard to distribution strategy. It looks at the different studies carried out on the standardisation and adaptation of the marketing mix, explicitly related to the delivery strategy. In terms of dissemination, the spectrum of significance is explored in respect of standardisation and adaptation. It shows the benefits of standardisation and adaptation and the drawbacks in respect of international and local distribution channels in the context of international strategic marketing.

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