

# PRODUCT CUSTOMIZATION VS HOMOGENIZATION IN INTERNATIONAL MARKETING

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## ABSTRACT

*Companies marketing their products and/or services in overseas market are faced with the dilemma of whether to regularize or alter their product offerings. This decision concerns firms commencing to market their products in foreign countries as well as those already operating internationally and is considering expansion into further markets.*

*The evenness of products across cultures is increasingly becoming an important issue that the managers of global firms are today facing. As international marketing receives significant research attention in today's generation, it seems the cost benefits and administration of standardization strategies has simplified the international marketing approach as well as being an attractive choice for many firms.*

*While the desirability of marketing adaptation vs. standardization has long been debate within both academic and business circles, empirical studies investigating the conditions under which each strategy becomes appropriate have been rare. This article provides a formal investigation of the correlates of product and promotion adaptation in MNC ventures. A conceptual framework of product and promotion adaptation in multinational ventures is proposed to integrate the diverse perspectives on the issue of standardization versus adaptation. The conceptual framework is further specified in a testable form and tested via data collected by a series of in-depth interviews with different forms of customers. The results support the contingency perspective recently emerging in the standardization literature, and suggest that the degree of the various aspects of product adaptation (i.e., upon and after entry) and promotion adaptation (i.e., positioning, packaging/labeling, and promotional approach) are significantly influenced by company, product/industry, and export market characteristics. However, the profile of the correlates varies across the various aspects of product and promotion adaptation.*

**Key words:** Consumer behavior; Culture; International retailing.

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## 1. INTRODUCTION

International marketing is becoming a major trend in modern business. To this effect, numerous studies concerning the consumer demand and purchase behavior for different products across national boundaries have been and are still being undertaken. International marketing is defined as the process of management responsibility in identifying, anticipating and satisfying customer requirements across international boundaries. They go on by mentioning that within international marketing, companies are involved in making global decisions in one or more variables of the marketing mix. Consequently, companies wishing to enter international markets are faced with the challenge of considering the options of whether to standardize or adapt the elements of their marketing mix, that is, four “Ps”.

Interestingly, the concepts of product standardization and adaptation are not new ones in regard to global marketing strategies. Product standardization and adaptation empirical investigation were performed since the 1970s. Where, according to Doole and Lowe , product standardization strategy refers to a uniform representation of all aspects of the product such as the quality, the materials been used, product name, and packaging for all markets, regardless of location around the world. On the contrast, product adaptation is when changes and special modifications are made in order to adjust to each market in question.

On the other hand, product alteration strategies are also being considered as perhaps the most influential aspect for Multinational Corporations. Seeing that past research has established that regularization of the product enhances performance outcomes, more recent theories suggests that this may not always be the case. In today's globalized world, the choices of regularity versus alteration of international products are no longer being seen as an inflexible choice. Instead, combinations of the two options are being regarded, given the dependent factors at a given time on a given market.

However, with the emergence of homogeneous markets worldwide, it is still a question of whether MNCs will or will not intermix both the regularization strategies and alteration product strategies. To that effect it would perhaps be more interesting to look beyond the dichotomy of Regularization and adaptation as product strategies, that is not necessarily comparing which is the better option of these two comparisons. A research agenda was placed on investigating the level of alteration or regularity of products by Multinational Corporations (MNCs). Based on the illustrations and findings of the research, it was concluded that the choice of either complete Regularity or alteration is not an all-or nothing proposition, but a matter of degree. Hence MNCs should strive to incorporate ingredients of both approaches based on a clear understanding of the dynamics of the served markets respectively.

In the last decades, business in general has increased and most companies have extended their product offerings across national boundaries and cultures respectively. The researchers have also observed that in the quest to maintain a market share in the escalating competition in international markets as well as to realize profits, multinational corporations (MNCs) are constantly faced with the challenge to remain economically afloat by deciding which product strategy to use as they enter and strive to survive in international markets.

In addition, Czinkota and Ronkainen have pointed out that it is vital to note that companies have four basic alternatives when deciding to internationalize their products:

- i. Selling the same product everywhere.
- ii. Make changes and adjustments on already existing products for different markets.
- iii. Creation of new products for foreign markets.
- iv. Merging all differences from the markets into one product where this
- v. be introduced as a global product.

Moreover, despite the various interpretations of the motivations behind the choice of product strategy, one common theme is the challenge faced by multinationals to both national and cultural identity, a topic that has become popular in the field of international business and/or marketing. Therefore, as the product being part of the marketing mix it is crucial for the strategy to be analyzed with caution and finally conducted suitably across cultures.

## 2. PROBLEM STATEMENT

When MNCs expand their products to international markets they have to consider the two approaches of Customization and Homogenization in order to formulate their global product strategy.

As the world becomes smaller and the markets are seen as being the same, others have been advocating a Homogeneous product strategy as they view the market to be the same as it is increasingly becoming homogeneous.

However, it is inevitable to note that in as much as global marketing may seem the solution to generate profits at lower production costs, cultures around the world are very different and as such consumer preference over products will vary. However in reality, both strategies seem to be considered and used at the same time. Is it then safe to say that the industry that the MNCs are active in is also a very important factor for the choice of the level of Regularization and Customization to be used in their international product strategy?

It is also noted that most studies have analyzed the characteristics of the actual product rather than the product as a whole.

One such area of interest is the fast food industry that has expanded globally in recent years.

## 3. OBJECTIVE

- To share a new knowledge to the already existing field of study
- To investigate the extent to which the companies operating (the MNCs to be specific) in today's turbulent global business environment are favoring a product Homogenization or product customization strategy respectively.

## 4. LITERATURE REVIEW

Fayerweather (1969) in his seminal work in international business strategy described the central issue as one of conflict between forces toward unification and those resulting in fragmentation. He pointed out that within a multinational firm, internal forces created pressures toward the integration of strategy across national boundaries. On the other hand, differences in the sociocultural, political and economic characteristics of countries as well as the need for effective relations with the host society, constitute fragmenting influences which favor adaptation to the local environment.

This theme has been elaborated further in subsequent discussions of international business strategy. Doz (1980) for example, characterizes the conflict as one between the requirements for economic survival and success, (the economic imperative), and the adjustments to strategy made necessary by the demands of host governments, (the political imperative). Economic success or profit-ability in international markets is viewed as contingent on the rationalization of activities across national boundaries.

Recent discussion of global competitive strategy (Porter 1980, 1985) echoes the same theme of the dichotomy between the forces which have triggered the globalization of markets and those which constitute barriers to global competition. Factors such as economies of scale in production, purchasing, faster accumulation of learning from operating

worldwide, decrease in transportation and distribution costs, reduced costs of product adaptation and the emergence of global market segments have encouraged competition on a global scale. However, barriers such as governmental and institutional constraints, tariff barriers and duties, preferential treatment of local firms, transportation costs, differences in customer de- mind, etc., call for nationalistic or “protected niche” strategies.

Similar arguments have characterized the debate concerning uniformity vs. adaptation of marketing and advertising strategies. In this context, greater attention has generally been focused on barriers to standardization (Buzzell 1968, Elinder 1964). Differences in customer behavior and response patterns, in local competition, in the nature of the marketing infrastructure, as well as government and trade regulation have all been cited as calling for, and in some cases rendering imperative, the adaptation of products, advertising copy, and other aspects of marketing policy (Miracle 1968, Dunn 1966, Donnelly and Ryans 1969, Ryans 1969). Yet, some advocates of a uniform or standardized strategy worldwide, especially in relation to advertising copy, have emerged—who point to a growing internationalization of life-styles, and increasing homogeneity in consumer interests and tastes (Britt 1974, Falt 1967, foote 1967, Killough 1978). They have, for example, noted benefits such as development of a consistent uniform image with customers worldwide, improved planning and control, exploitation of good ideas on a broader geographic scale, as well as potential cost savings.

Compromise solutions such as “pattern standardization” have also been proposed (Peebles, Ryans and Vernon 1978). In this case, a global promotional theme or positioning is developed, but execution is adapted to the local market. Similarly, it has been pointed out that even where a standardized product is marketed in a number of countries, its positioning may be adapted in each market (Keegan 1969). Conversely, the positioning may be uniform across countries, but the product itself adapted or modified.

Although this debate first emerged in the 1960s, it has recently taken on a new vigor with the widely publicized pronouncements of proponents of “global standardization” such as professor Levitt and Saatchi and Saatchi. Levitt, for example, in his provocative article (1983) stated:

“A powerful force (technology) now drives the world toward a single converging commonality. The result is a new commercial reality—the explosive emergence of global markets for globally standardized products, gigantic world-scale markets of previously unimagined inabilities.

1985). Opportunities for standardization are also likely to occur more frequently among industrialized nations, and especially the Triad countries where customer interests as well as market conditions are likely to be more similar than among developing countries (Hill and Still 1983, Huszagh, Fox, and Day 1985, Obmac 1985).

An examination of such counter-arguments suggests that there are a number of dangers in espousing a philosophy of global standardization for all products and services, and in relation to all markets worldwide. Furthermore, there are numerous difficulties and constraints to implementing such a strategy in many markets, stemming from external market conditions (such as government and trade regulation, competition, the marketing infrastructure, etc.), as well as from the current structure and organization of the firm’s operations.

## 5. METHODOLOGY

The main purpose of this study is to investigate the extent to which Multi National Corporations (MNCs) adopt either product Homogenization or customization strategies across cultures as well as to investigate any differences between different markets in relation to MNC Company's product offering. Hence, this study deals with multinational companies selling products internationally. To reach this understanding of the occurrence of product homogenization and customization the study will therefore mainly be that of a descriptive one. However, in aiming to improve the understanding of the aspects of both product standardization and adaptation strategies, the researchers will also employ some exploratory aspects in the study.

### Research Philosophy

Pragmatism philosophy will be adopted as the study strives to understand the practical implications of deciding which product strategy to use in relation to differences in cultures as regards the purposes of the study

### Research Approach

Deductive approach, as the nature of the research is that of a descriptive one.

### Sample Selection Criteria

Choosing the sample for the online survey, the websites presented in the English language are considered. English language has become the international language that can be understood and spoken through almost everywhere in the world today, therefore have made this a primary criteria in the choice of the countries to be investigated for ease of observation in relation to the study.

## 6. OBSERVATIONS

The long discussion in international marketing as to whether companies should Customize or Homogenize their international marketing approach and market entry methods continues to be a focus of research. With the general increase in globalization, it is hardly surprising that the study of motivations of MNCs in deciding which product strategy to use has attracted considerable attention in recent years. In an attempt to go beyond the dichotomy of product standardization and adaptation, assumptions about the two contrasting theories studies have focused mainly on cultural differences. While some research has focused only on the advantages and disadvantages of either strategy, others have also suggested a future possibility of standardization as being the sole product strategy across cultures. The theory selected in the following paragraphs give an insight into the study as they give the various perspectives on previous studies in relation to the research topic. But in order to understand the concept of going beyond the dichotomy, it is crucial to fully understand the concepts of culture, Homogenization and Customization as regards to the product strategies as per the decisions of Multi National Corporations (MNCs).

Increased ease of access to a wider range of material has also increased the need for careful and clear critique of literature sources. Key literature sources used have been published material, journals and academic articles as well as academic theses. Having reviewed the literature on product standardization and adaptation, the authors synthesize the concepts into their own concept through this summary.

Having in mind the different concepts captured from the reviewed literature, it is interesting to note that one of the main *questions* centers on the choice of which product

strategy to implement across cultures. Further the *problems* that have been analyzed to date are that of the choice of product internationalization strategy is highly dependent on culture, and the nature of product.

It is worth noting that from a company's perspective it is strongly recommended to reflect on both strategies when wanting to develop a global product strategy while considering the market characteristics, the company's characteristics and the industry they operate in. As mentioned above the industry plays a significant part in the choice, as in the car industry almost non-adaptation may be needed, same it is with the technological industry. As for the fast food industry as per the basis of this study, the success of the product strategy is vital to consider the culture of the foreign markets. Suffice to say, in order to be accepted and to succeed in the foreign markets, a level of adaptation must be inevitably coupled with a global strategy with standardization as the main concept.

But despite the issue of globalization and the similarities of markets, the question of whether to standardize or adapt a product is one that has been mind boggling for many years. A very interesting observation that is pointed out in the literature is that in aiming to succeed in international markets, finding a balanced product strategy as regards standardization and adaptation somewhat depends on the type of industry that the company is operating in. An example would be, in the fast food industry where adaptation is inevitable due to different cultures and customer's preferences.

In considering the reviewed literature, it can hence be concluded that the rigid dichotomy between total product standardization and total adaptation of the international marketing strategies of MNCs is considered neither feasible nor undesirable. It can be concluded from the past research that culture still plays a critical part in the choice of product strategy and as long as the different cultures remain heterogeneous, no matter how homogenous the global market will become, total product standardization may not be accepted across cultures. Therefore, for multinational corporations the best and most cost effective strategy for product internationalization is a combination of a standardized strategy with some significant modifications.

## 7. CONCLUSIONS

The main conclusion of this research is augmentation of the argument that a global market strategy should serve as the conceptual link and action mechanism that provides substance and rationale to striking a tradeoff between the two indispensable global strategy ends of standardization and adaptation. This balanced relationship can only be created when focus is devoted to building brand equity and inserting standardization of quality through emphasizing the concept of global customer grounded on the adoption of generic customer needs and characteristics as bases for segmentation away from cultural peculiarities. On the other hand, market orientation should be maintained to guard against overlooking significant and relevant product-related cultural differences through the proportionate adoption of cultural and social segmentation factors. Striking such a balance between global brand equity and culture-specific market orientation should be expected to result in marketing positioning strategies that are a true reflection of a carefully and realistically blended mix of differentiated and undifferentiated elements throughout all strategic dimensions of the marketing mix variables. In particular further research on these variables will enhance our understanding.

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