

## **Abstract**

This paper addresses the call by Roth (1995a) “To what extent should brand image be customized or standardized to build and maintain brand equity?” By laying out a proposed empirically testable research model and developing research propositions based on the literature this paper presents a response to this call for research.

# **Globalization versus Standardization: Research Propositions Examining Global Marketing Strategy on Firm Performance**

## **Introduction**

The debate continues regarding market globalization. Academics continue to struggle to describe and define it (Levitt 1983; Jain 1989; Zou and Cavusgil 1996; Craig and Douglas 2000) and even disagree as to whether there is such a thing as a global organization since a relatively small set of multinational enterprises (MNEs) accounts for most of the world's trade and investment (Rugman and Verbeke 2004). While the goal of standardization is to achieve economies of scale, scope or learning curve, there continues to be studies exploring strategies for companies to decide the best way to enter markets.

The fact remains that many companies are choosing to operate beyond their home country for either resource, market or other value chain reasons. Once a company decides to sell internationally, marketing executives begin thinking about level of standardization regarding all aspects of products, marketing, packaging and branding communications. These marketing executives and managers, global brand "champions" and global brand teams must take various market conditions into account when considering to what level to standardize advertising as well as to standardize or customize their global brand image (Roth 1995; Aaker and Joachimsthaler 1999). Researchers have called for more research to address global advertising standardization, brand image and links to performance (Roth 1995; Roth 1995). Roth (1995a) specifically called for research that addresses questions in the area of

international marketing and asked, "To what extent should brand image be customized or standardized to build and maintain brand equity? (Roth 1995a)

### **Problem**

Recent studies have started to address advertising standardization at the strategic level. When Griffith, Chandra et al (2003) looked at standardizing packaging and advertising message, results were mixed. The empirical support for standardization of advertising appears to be mixed because international business is still in transition, as the debate continues, so do the calls for research in these areas (Kanso and Nelson 2006).

Academics, like Fastoso (2007), have noted that the relationship between advertising standardization and firm performance was seldom studied and Okazaki, Taylor, et al (2006) called for researchers to validate their findings tying perceptions of advertising standardization to perceptions of firm performance.

Practitioner questions include: What considerations are senior marketing executives evaluating when making standardization of advertising decisions as part of the global marketing strategy in terms of strategy, execution, brand image and firm performance? Do the perceptions of senior marketing executives located at the headquarters of MNCs support their marketing goals as well as brand image and the perceived impact of standardization on firm performance and which elements contribute the most to the goals/firm performance?

This study will extend the work of Okazaki et al (2006) which measured subsidiary manager perceptions of culture and advertising infrastructure as well as IMC. It will attempt to clarify standardization of advertising using a corporate senior marketing

executives perceptions of culture and advertising infrastructure and a more robust, multi-item four dimensional scale to measure IMC (Lee and Park 2007). Further, the study also will examine uniform advertising strategy and uniform advertising execution (transformed mediating variable of standardization of advertising) and the mediating role of brand image to further empirically explore the standardization debate and identify which elements best predict a firm's performance.

The following sections will provide an overview of the academic literature on standardization, industrial organization and resource based view theories, and the standardization of advertising and the debate that surrounds it.

## **Literature Review**

### **Standardization**

Levitt (1983) strongly supports the notion that the world is becoming more homogenized because of the technological progress made in both communication and transportation. He further contends that when a company can source globally to produce high quality, low priced products, it is able to achieve a competitive advantage operating in the global market. To maximize the advantages of this strategy a company must also adopt a global marketing strategy (GMS) thereby standardizing its products and its marketing programs (Levitt 1983).

A global marketing perspective includes a strategy of standardization of product, price, promotion and placement (channel) as well as integration of advertising and global IMC. This standardization and integration can be implemented at varying degrees for the purpose of enhancing performance, maximizing value chain through configuration-coordination, achieving economies of scale, scope, comparative or

competitive advantage, and learning curve efficiencies (Zou and Cavusgil 2002; Griffith, Chandra et al. 2003).

### **Industrial Organization (IO) and Resource-based View (RBV) Theories—A Global Marketing Framework**

The theory of global marketing and the global marketing strategy (GMS) was developed to address a gap within the literature based on the limitations of the theories of the industrial organization (IO) view of the firm and the resourced-based view (RBV). The IO as defined by Venkatraman and Prescott (1990) states that the “fit between a business’s strategy and its environment has significant implications for performance and assumes that the ultimate goal of firms is to maximize profits.” In other words, IO looked at factors external to the firm. While, Collis (1991) describes firms having a RBV as analyzing and being concerned with internal organizational factors such as assets—including intangible assets—a firm accumulates over time. In the RBV, these internal factors drive strategy and performance.

The GMS work of Zou and Cavusgil (2002) integrated the competing and even contradictory internal and external perspectives to provide a complete explanation of global strategy and performance. Zou and Cavusgil (2002) leveraged these two approaches by developing a multidimensional conceptualization of global marketing. The unified conceptual framework they developed provides a more robust means to explain global strategy and performance and broadens the use of the term global strategy to not only include standardization, configuration and coordination, or integration but to also include managing the degree to which all of the marketing tools and resources can be controlled by a firm’s management. Since they found that GMS

positively influenced a firm's performance in the global market, it would likely enable the firm to gain competitive advantages as well (Zou and Cavusgil 2002). Zou and Cavusgil (2002) also found that a firm's GMS is driven by their global orientation and international experience. The importance of experience is also consistent with the entry mode decision-making process companies' use because of its market or resources (Brouthers and Brouthers 2000).

Okazaki et al (2006) further extended the GMS framework and found that for firms to achieve their global objectives a key component is to standardize advertising such as a uniform brand image. In their model, they looked at environmental factors comprised of customer and market similarity, advertising infrastructure, level of competition, strategic factors of global strategic orientation, perceived cost savings, cross border segmentation and global IMC.

It therefore stands to reason that the better a company understands their GMS and controls the degree of standardization, configuration-coordination and integration, and advertising infrastructure and IMC, the more likely it is they will be able to pick to what degree and mix of standardization of advertising (uniform strategy and execution) and standardization of brand image and to what degree.

### **Standardization of Advertising Debate**

Just as the debate about globalization and standardization continues, so the debate about the standardization of advertising and standardization or localization of advertising campaigns (Kanso and Nelson 2006) continues. Knowledge of local markets versus centralized decisions play specific roles in the standardizing decisions—with knowledge of local market conditions leading to more standardized approaches

(Solberg 2002). Alternatively, (Kanso and Nelson 2002) note that a strategy of standardization of advertising to be ill advised based on studying the attitudes of executives of American and non-American subsidiaries in two European countries thus not all findings support standardization. When local manager's perspective were studied, Jeong, Tharp et al (2002) found their knowledge and understanding of the international advertising policy of the firm lacking. This lack of knowledge and understanding plays a negative role in the standardization of advertising. Additionally, Karande, Almurshidee et al (2006) found that standardization is not appropriate for "product-related ad content when social-economic differences exist among culturally similar markets." While Zou and Cavusgil (2002) and Okasaki et al (2006) found that standardization is key, empirical support for standardization of advertising continue to be mixed seemingly because international business is still in transition. The calls for research in these areas as well as the global marketing debate continues (Kanso and Nelson 2006).

### **Standardization of Advertising**

As part of GMS, Okazaki et al (2006) define standardization of advertising as a desire to create and communicate a higher level of a homogeneous image of the firm and its brand in multiple markets so that a higher level of uniform brand image across markets would enhance global brand equity. This definition will be used for this study. A global marketing perspective also includes a strategy of standardization of product, price, promotion and placement (channel) as well as integration of advertising and global IMC. This standardization and integration can be implemented at varying degrees for the purpose of enhancing firm performance, maximizing value chain

through configuration-coordination, achieving economies of scale, scope, comparative or competitive advantage, and learning curve efficiencies (Zou and Cavusgil 2002; Griffith, Chandra et al. 2003). Gabrielsson, Gabrielsson et al (2008) found that when firms globalize to other continents they increase standardization of their advertising campaigns across continents. Duncan and Ramaprasad (1995) found that MNCs use standardization most often in strategy, less often in execution and least often in language. Conversely, Backhaus, Mahlfeld et al (2001) suggest that the most significant influence on perceived standardization of advertising is the visual aspect. Taylor and Okazaki (2006) showed that the level of standardization is a combination of uniform strategy and execution ultimately leading to the ability to achieve advertising effectiveness and financial and strategic performance (with strategy used more frequently than execution).

It stands to reason that the better marketing executives *believe* they understand and use uniform strategy, uniform execution and a standard brand image in the markets in which they operate, the more likely it is they will improve the firm's financial performance. As such, uniform strategy and uniform execution (which combine to create standardized advertising) and brand image will be used to identify whether perceptions of uniform strategy or uniform execution are more related to performance as well as how and to what level brand image mediates these relationships. The following sections describe the model presented in Figure 1 below, and explain the constructs and the relationships among the constructs.



## Model

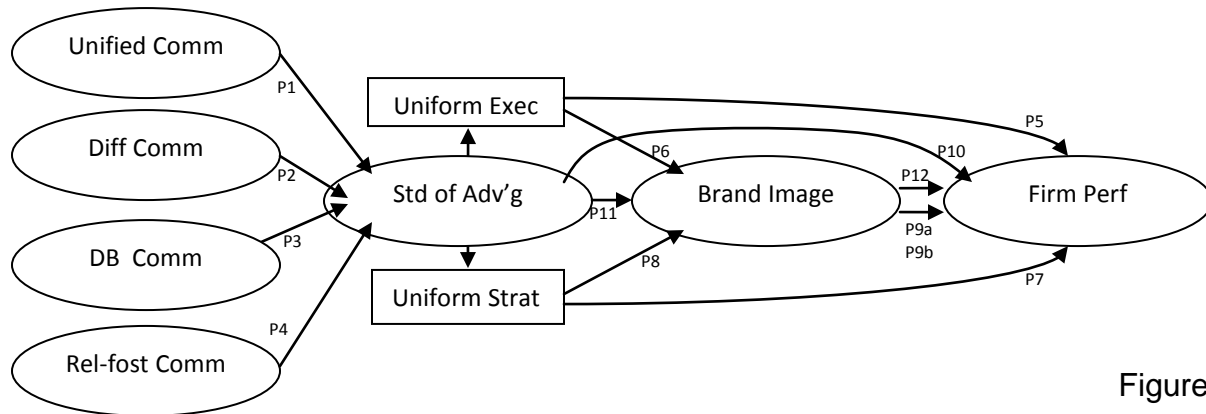


Figure 1

### Independent Variables Global IMC

Schultz, Tannenbaum and Lauterborn (1992) first conceptualized the IMC construct. In their book, IMC was presented as a consistency of message across strategically timed media. It included direct marketing, public relations, personal selling as well as traditional advertising constructs all leading to a measurable consumer action. Since that time, the definition has been revised a number of times. While IMC's specific applications and effectiveness continue to be debated, the trend is that IMC is not going to go away and will continue to be a driving force in both academia and management decision-making (Gould 2000).

Kitchen, Kim et al (2008) recently asked the question about why there are still practitioner applications being studied and found that the continued application and growth of the IMC concept is the primary cause. There is a body of literature that relates brand orientation, market orientation and IMC to outcomes such as brand

performance and marketing communications performance (Low 2000; Reid, Luxton et al. 2005; Lee and Park 2007). Current IMC research has begun to study the synergy and effectiveness of and between multimedia communications, specifically, the synergy among the media budget, media mix, and advertising carryover (Naik and Raman 2003). Also Dewhirst and Davis (2005) demonstrated that greater brand equity and shareholder value were achieved using three IMC practices (specifically brand communication, cross-functional planning and monitoring, and data-driven targeting and communication). Studies looking at IMC adoption have reported results ranging from 66% to 75 % and as high as 95% of the responding organizations reporting implementing IMC (Carlson, Grove et al. 2003).

Gould (2004) suggested that IMC be defined as “1) a set of practices and discourses that is employed by marketing communications practitioners, studied by academics researchers, and taught by many of the latter to their students and 2) as a subject for theoretical analysis that may assess among other things conceptual issues, how IMC functions, and issues of effectiveness. “ To better assess scope and depth of IMC and more accurately measure IMC on the marketing communications performance, Lee and Park (2007) developed and empirically tested a four-dimensional, 18-item scale. This scale included three dimensions measuring the existing IMC concepts (unified communications for consistent message and image, differentiated communications to multiple customer groups, database-centered communications for tangible results) and added a new dimension (relationship-fostering communications with existing customers). Since this scale provides more depth and accuracy, it will be used as part of this study to replace the IMC measure used by Okazaki et al (2006).

Thus, expanding Okazaki et al (2006) who found a positive relationship between a one-dimensional measure of IMC and standardization of advertising the following four hypotheses are derived.

### **Dimensions of IMC**

Unified communications for consistent message and image is based on the work of Nowak and Phelps (1994), in which they found that the marketing communication tools used for creating an image need to be integrated and consistent message integration and coordination in marketing communications creating “one-voice” and a unified identity of a brand. Thus, Proposition one.

*P1: Firms that emphasize unified communications for consistent message and image will have a higher degree of Standardization of Advertising*

Lee and Park (2007) recognize that at any given point in time of the buying process, people are in various stages. Unlike the coordinated perspective of Nowak and Phelps’s (1994) one voice view, differentiated communications to multiple customer groups recognizes these differences as well as the need for a multiple brand positioning that targets these customers in the market. As such, the marketing communication focus would be less standardized with emphasis placed on “creating awareness, fostering favorable attitudes, or establishing conviction” (Lee and Park 2007). Therefore,

*P2: Firms that emphasize differentiated communications to multiple customer groups will have a lower degree of Standardization of Advertising*

The dimension of database-centered communications focuses on the use of intensive customer information using technology-driven communications to get

behavioral responses from customers that result in tangible firm performance outcomes. The more that is known about these customers using databases, the more able communications can be standardized based on similarities and differences. This proposition is:

*P3: Firms that emphasize database-centered communications will have a higher degree of Standardization of Advertising*

The last IMC dimension is relationship-fostering communication that is rooted in customer relationship management. Reicheld (1996) showed that “retaining existing customers was five times more cost-effective than acquiring and developing relationships with new customers.” Because it is so expensive to get new customers, it is critically important to know one’s customers as well as use and standardize customer relationship communications. Hence,

*P4: Firms that emphasize relationship-fostering communications with existing customers will have a higher degree of Standardization of Advertising*

### **Standardization of Advertising—Uniform Execution**

Knowledge of local markets versus centralized decisions plays specific roles in the standardizing decisions—with knowledge of local market conditions leading to uniform execution of a more standardized approach (Solberg 2002). However, Karande, Almurshidee et al (2006) found that standardization execution is not appropriate for “product-related ad content when social-economic differences exist among culturally similar markets.” In a survey of advertising agency executives, Duncan and Ramaprasad (1995) found that agency clients were increasingly seeking uniform executions in their advertising execution. This industry trend indicates a perceived benefit to firm performance.

## **Standardization of Advertising—Uniform Strategy**

Recent studies have addressed advertising standardization at the uniform strategy level. Griffith, Chandra et al (2003) looked at standardizing packaging and advertising message and received mixed results. Local managers' perspectives have been studied with regard to their lack of knowledge and understanding of the international advertising strategy of the firm and the negative role that can have in the standardization of advertising (Jeong, Tharp et al. 2002). Okazaki et al (2006) view uniform strategy and uniform execution as a combined standardization of advertising construct that are positively related to firm performance. As such, the transformed mediating variable in this study will use this definition of standardization of advertising.

The propositions are:

*P5: Uniform execution will positively impact firm performance*

*P6: Uniform execution will positively impact brand image.*

*P7: Uniform strategy will positively impact firm performance*

*P8: Uniform strategy will positively impact brand image.*

## **Brand Image**

Traditional advertising models, in effect, move consumers through brand awareness to brand image and brand attitude which both lead to purchase intentions or purchase (Smith and Swinyard 1982). Within the standardization of advertising literature there has been little research tying brand image (itself an advertising outcome variable Roth 1995a 1995b) to performance. One of the few to do so is Roth (1992) who demonstrated that brand image is positively related performance measures such as sales volume, market share and profit margin in a global context. In another article in

the same year, Samiee and Roth (1992) found that across a variety of global industries, performance did not differ between firms using global standardization and firms using customization as marketing strategies. Current research has shown that regardless of the level to which markets are or are perceived to converge, firms want to create a uniform brand image as a function of their goal of building brand equity (Okazaki 2007). Additionally, they suggest that firms that seek to create a uniform brand image and appeal to cross-market segments are more likely to standardize their overall advertising programs. This leads to the following research propositions:

*P9a: Brand image will mediate the effect uniform strategy has on performance.*

*P9b Brand image will mediate the effect uniform execution has on performance.*

### **Dependent Variable—Firm Performance**

Performance measurements have been operationalized several ways within extant brand image and standardization of advertising literature. In a study about services industry advertising and consumer reactions to performance promotions/announcements by Mathur, Mathur et al (1998), three measures of financial performance were used – growth in earnings per share, net profit margin, and return on assets. Onkvisit and Shaw (1999) suggest that firms use sales volume as a criterion for effectiveness however, Kanso and Nelson (2006) call for research to link a firm's performance in terms sales and corporate image to measures of standardization of advertising's effectiveness.

Solberg (2002) notes that perception is the best way to capture performance of a firm's export success because it uses the respondent's opinions of perceived degree of economic success (such as market expansion, competitive response and market

penetration). Okazaki et al. (2006) define a firm's financial performance as a "bottom-line measure that refers to the firm's success in increasing its sales and profitability" and note that standardization of advertising improves firm performance. In that study, standardization was operationalized as the combination of uniform strategy and uniform execution. This study recognizes that there are multiple determinants of performance (Okazaki et al, 2006) and predicts that managers who perceive they have higher levels of standardization in execution and strategy and brand image will have enhanced measures of performance. Therefore

*P10: Standardization of advertising is positively related to firm performance*

*P11: Standardization of advertising is positively related to brand image*

*P12: Brand image is positively related to firm performance*

## **Conclusion**

This paper has developed a model to test the impact of IMC and standardization on firm performance. The model is developed from the existing literature and combines the global marketing strategy with integrated marketing communications. It is a valuable guide for future researchers to examine these inter-relationships and combine branding, marketing communications and global business.

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