

INTEGRATING STANDARDISATION/ADAPTATION IN INTERNATIONAL MARKETING STRATEGIES: COMPANIES IN LATVIA

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Abstract. Developing an international marketing strategy, companies need to make decisions on the standardisation/adaptation degree for each marketing strategy element. Scientific research results show that it is impossible to make a recommendation that could suit any company. The most successful companies are those that make decisions with respect to standardisation and adaptation according to the circumstances and demand on each export market as well as on the basis of the company strategy and the resources available.

Product standardisation on the international market would cause significant savings for the company on the global scale. It is usually possible to standardise a product to a certain degree, as the necessity to adapt products to the needs of consumers in various countries, due to legal, cultural and economic reasons, does occur.

The aim of the research presented in this article is to assess the practices for the standardisation and adaptation of the international marketing strategy elements in the largest Latvian exporter companies. The study also evaluates the influence of international marketing strategy elements on the export business results of the companies.

Keywords: international marketing, standardisation, adaptation, export performance.

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Introduction

The use of standardisation and adaptation and their influence on export business performance have been the object of international research for the last 50 years. The trend towards product standardisation can be observed in the development of multinational companies (Katsikeas et al., 2006). However, there are very few examples of global standardisation in the world, regional adaptation is more common. The latest trends in scientific research show that standardisation and adaptation, when successfully applied to market conditions, cause better export business performance.

The aim of the research is to assess the practices for the standardisation and adaptation of the international marketing strategy elements in the largest Latvian exporter companies. **The research object** is standardisation and adaptation in international marketing strategies. **The tasks of the research** are to obtain measurements on the degree of standardisation/adaptation for export marketing strategy elements, to compare them to the

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preferable degree of standardisation and adaptation specified by the experts, to evaluate the influence of marketing strategy elements over the export business results of the companies, and to draw conclusions on the application of standardisation/adaptation in the marketing strategies of Latvian exporter companies.

Over the course of the study, the practices for the standardisation and adaptation of the international marketing strategy elements were assessed in the context of global academic research. The study is limited to the expert evaluation of a selected product category and specified export markets; the current standardisation/adaptation degree was assessed without investigating its influencing factors.

The research method applied is Expert survey of eight specifically invited marketing and exports managers from Latvian exporter companies, representing the following industries: dairy, confectionery and alcoholic beverages product production, pharmacology, transport, IT services. Experts were selected among companies represented in "TOP 100 Best Exporting Brands from Latvia" – a research conducted by Latvian Chamber of Commerce and partners, identifying the largest and most visible export companies which comprise 20% of total export value in Latvia (Latvijas izcilāko eksporta zīmolu pētījums..., 2013). Out of ten selected experts six responded, therefore two other experts were invited providing wider scope of industries covered.

The most often specified export markets that were evaluated are: Russia, Germany, Lithuania, Estonia. The Expert survey was conducted in October–December 2014. Experts represented the following companies: SIA "NP Foods", A/S "Rigas Piena Kombinats", SIA "Pure Chocolate", SIA "Latvijas Piens", A/S "AirBaltic", SIA "ELVA Baltic", A/S "Grindeks", AS "Latvijas Balzams". In the following compilation of the results of the research, these responses will be used only in a generalised form, without singling out any specific companies.

Research results present an evaluation by experts on the standardisation and adaptation practices in the companies according to four main marketing strategy elements: the product, the price, the promotion and the place (distribution), dividing them into 30 more detailed sub-elements (Table 1). Assessing the degree of standardisation/adaptation, the respondents used a 100-point scale, whereby '1' meant maximum standardisation, and '100' meant maximum adaptation. The values on this scale can be easily transformed into percentages, for a more illustrative representation and interpretation of the results.

The evaluation scales, as well as 30 sub-elements of marketing were introduced as the recommendation from Theodosiou M., Leonidou L. C. (2003), who have analysed 36 empirical studies in the field of marketing standardisation and adaptation since the first relevant scientific publication in 1975. The expert questionnaire was developed, taking into account the recommendation to focus the research on a specific product or a product line, instead of evaluating practices across the whole company.

Theoretical Background

Decision to export. The drivers that encourage companies to start their activities on the international scale are reviewed in scientific literature, and are as follows: a small or highly saturated market, short product and technology life cycles, an excess of resources and production capacity, the company's unique competence in a particular field, a desire to follow competitors or clients abroad, a tendency towards growth and towards a more international orientation for the company, a response to unplanned orders from abroad, an integration to minimise expenses and increase control (Bradley, 2005). However, the definitive decision is made by the company management: "export can be conceptualized as a strategic response by management to the interplay of internal and external factors" (Cavusgil and Zou, 1994).

By accepting this challenge, entrepreneurs face the necessity to make strategic decisions that would define their international marketing strategy in the future.

Standardisation and adaptation. During the past five decades, the field of exporting has paid particular attention to the forces that drive adaptation or standardisation of international marketing strategies. Many studies have focused on the factors that influence the level of adaptation and attempt to give recommendations how firms should standardise/adapt their marketing across nations in order to enhance the performance. According to literature analysis made by Schmidt and Kotulla (2011) among these studies there are 5% that contain valuable theories for deriving hypothesis-based recommendations. For instance, Alden, Hoyer and Lee (1993) base their explanations on humour theory and argue that firms have to standardize their humorous advertising across nations with regard to specific culture-free elements of humour. Several institutional theory supporters (Bianchi and Ostale, 2006; Shoham et al., 2008; Hultman et al., 2009) suggest that firms have to adapt their products to foreign countries macro environments in order to become legitimized abroad. Cui and Yang (2009) use congruency theory to prove that firms have to adapt their advertisements to foreign countries in order to increase consumer responsiveness.

There are opinions that the most important marketing strategy element is product (Schmidt, Kotulla, 2010), because the products of a firm constitute the firm's central market offering, whereas pricing, distribution and promotion represent supporting factors for conditioning, delivering and promoting this market offering (Kotler, Keller, Brady, Goodman, Hansen, 2009). Furthermore, decisions on international standardisation/adaptation of products are the most cost-relevant ones and therefore directly related to a firm's financial performance (Walters, Toyne, 1989). Product and promotion are the most researched marketing strategy elements in the scientific literature. The other elements — price and distribution — have been studied more actively only since the 1990's (Waheeduzzaman, Dube, 2004).

Advantages of product standardisation and adaptation. Product standardisation on the international market can create significant savings for the company on the global scale: the savings would be created by the combination of production, transport and distribution parameters. However, an absolute standardisation is not possible. It is usually possible to

standardise a product to a known degree, as the necessity to adapt products to the needs of consumers in various countries, due to legal, cultural and economic reasons, does occur (Vrontis, 2003). The necessity for product adaptation can occur also due to economic causes. If the incomes of foreign customers are not sufficiently high, they may not be able to purchase the product sold by the multinational company on the local market. This is why the company may need to develop a cheaper product.

Costs of product adaptation. Adapting some products is cheap and can significantly influence demand. The adaptation of packaging has comparatively low costs, and exporters use it for their product to comply with the legal and environmental requirements. Before making a decision, the costs of adaptation must be compared to the costs that would occur due to the loss of sales if the products were not adapted. A way for the company to minimise the costs of product adaptation is to standardise as much as possible, leaving only some minor details for adaptation in the end. The advantages of product standardisation are broadly reviewed in the international literature on marketing. However, there are very few examples of global standardisation in the world, regional adaptation occurs more often. Also, scientific studies have not definitively confirmed the positive influence of product standardisation on the global marketing results (Townsend, Yenyurt, Denigonul and Cavusgil, 2004).

Pricing on the international market is more complicated than on the local scale due to: the various degrees of legal control, bigger market variability, increase in price due to exports, currency fluctuations, fixed and flexible prices, influence of retailers (Bradley, 2005).

Even though the local market likewise can be segmented and offer differing pricing strategies for each segment, the international market naturally produces more segments. The company may have many competitors in some countries, having limited opportunities to alter the price, while in other countries the company may almost be a monopoly. Stereotypes about product's country of origin limit the pricing range. Price escalation in exports means that each stage of the distribution channel has its own mark-up. As the length of the distribution channel grows, so does the retail price of the product.

In the context of the marketing mix, exporter companies have the most difficulty standardising the **distribution channels**. Each country has its own distribution system related to its cultural, economic and legal circumstances. Product distribution in a particular country is influenced by a number of factors: the attitude of the public towards small private shops, salary levels in the retail sector, regulations on the working hours of retail shops and on the size of the place of business, the financial capability to accumulate large savings etc. Each country has its own peculiarities in its retail environment: large retail chains, small shops, direct cooperation with producers, distribution centres, product mail orders (Porter, 1986). If the volume of sales is small, it is usually easier for the company to sign a contract with a distributor. Of course, this decision results in less control but the resources of small companies are usually too limited for these companies to take distribution in their own hands.

Advantages of promotion standardisation and adaptation. The savings that can be obtained by standardising promotion materials are not as big as those obtained due to product standardisation but they can be significant on the global scale. At the same time, small company managers often admit that they have achieved success in exports thanks to the adaptation of marketing communication for different markets. Small companies cannot achieve the economy of scale but are more flexible in adaptation (Stoian, 2010).

Promotion standardisation means that it is similar in different countries, rather than identical. In most cases it means employment of a unified idea and centralised execution. The standardised advertising message may not always be suitable for all the segments of the market, as there are national differences, consumers' perception and knowledge about the product can differ, and so can differ the perception of the advantages of the product; finally, the person who makes the purchasing decisions may be different. The factors that prevent a full standardisation are related to the matters of translation, compliance with the regulations and the content of the message (Harris, Attour, 2003).

Influence of standardisation/adaptation on business performance. Since, studying the influence of marketing strategy standardisation and adaptation on business results, different researches have obtained contradictory and often mutually exclusive results. It has been shown that the appropriateness of a specific strategy depends on its fit with the context in which it is deployed - good fit positively affects performance.

Although a small part of published research analyzes impact of standardisation/adaptation in strategy-fit context (Schmidt, Kotulla, 2011), many studies yield valuable results. For example, Cavusgil and Zou (1994) write about seemingly general but for small countries important finding: if firms want to adapt their products and communication to foreign countries they need to have high international competence. O'Cass and Julian (2003) illustrate that firms have to adapt their marketing strategies to foreign countries in the following situations: small firm size, unique product characteristics, high cross-national differences in the political/legal macro-environments and in industry characteristics. Recommendations for standardisation are provided if the following context is observed: high foreign consumer familiarity with the brand and durable product (Tai and Pae, 2002); high-tech industrial products (O'Donnell and Jeong, 2000).

Research results and discussion

1. Marketing strategy standardisation/adaptation assessment in Latvian exporter companies.

Product, including its sub-elements, is the most standardised marketing strategy element among the Latvian exporter companies surveyed. Its total adaptation level does not exceed 49%. Table 1 shows that standardisation is particularly high for the following product elements: 'quality' (15%), 'features' (30%) and 'warranty (21%)'. This means that Latvian companies gain ground on the export markets primarily by maintaining a constant level of quality, regardless of export market. If the physical features of the product are the same on

the home and the foreign markets, and the production volumes are high, the economy of scale for the company is the highest. Labelling is the element with the highest degree of adaptation (50%), as on each market labelling is regulated by the local language as well as rules and regulations. In the assessment of some experts, a very high adaptation degree (90%) is given to product positioning, which means that the product is positioned in a unique way on the export markets, and is different from the home market. Therefore, promotion elements also have a high adaptation degree, as different positioning entails different communication. One of the experts admits: "currently, we are working on developing a more standardised positioning, as the investments into adapted promotional materials do not pay off". This means that an adapted positioning increases the marketing expenses on communication and taking a decision like this requires making an assessment if the growth of export business results compensates for them. The ideal standardisation/adaptation degree for product assumed by the experts is by 15% lower than the actual degree. Companies can achieve significant resource savings by standardising the product elements (e.g. positioning, packaging, design).

Price has the highest degree of adaptation, when compared to the rest of the marketing strategy elements – 73%. Such degree of adaptation shows that the companies set differing prices in different markets, according to their respective purchasing power as well as to the competitor prices. Some experts note that pricing method has a comparatively high degree of standardisation (1–20%), while the other price elements are more adaptive. The highest degree of adaptation is for "discount allowances" (68%) and profit margins to the end-users (64%). However, speaking of the ideal standardisation/adaptation degree for price, most of the experts note that they would prefer a lower level of adaptation – 52%. At the same time, there is an opinion that "it would be preferable if 3 advertising price levels would be set for the majority of the markets". Therefore, it can be concluded that, currently, price is adapted individually to customers in different export markets, and it is influenced by the purchasing power and the competitor prices, as well as by the routes-to-market – the distribution and sales representative models preferred in each country. In the opinion of the experts, this marketing strategy element would be more manageable, if a part of its elements were more standardised.

Promotion is the marketing strategy element with the second highest degree of adaptation among the marketing strategy elements – 70%. A particularly high degree of adaptation is for advertising/sales promotion budget (83%), which in the expert evaluation is different for each export market, and media allocation (76%), i.e. the media channels used for advertising. This can be explained by the fact that on specific markets, attracting the attention of consumers and gradually building up loyalty require an individualised approach, according to the features of the local market and the local consumer behaviour. At the same time, the authors note that the ideal degree of adaptation suggested by the experts is 49%, lower than the current. This can be explained by the significant amount of resources – financial as well as personnel – required for adapting promotion for each export market.

According to the experts' evaluation, the marketing strategy element **distribution** has moderate adaptation level of 55%. However, a markedly high level of distribution adaptation (95–100%) is observed in the experts' evaluation of certain producers of foodstuffs. At the same time, the companies in the service and transport industries lean more towards standardisation (30%). The analysis of the Experts' survey results leads to the conclusion that on the export markets, the road to the end-consumer varies, and is influenced by the method of distribution, by the role of middle-men in specific countries as well as by the industry of the exporter company.

Table 1

Degree of marketing strategy standardisation/adaptation in Latvian exporter companies

Adaptation level (%)	Product	Price	Promotion	Distribution
Adaptation 0–10%	-	-	-	-
Adaptation 10–20%	Quality	-	-	-
	Warranty			
Adaptation 20–40%	Features	-	Sales force role	-
	Design/style			
	Packaging			
	Items in product line			
	After-sale service			
Adaptation 40–60%	Labelling	Pricing method/strategy	Message/theme	Physical distribution
		Sales/credit terms	Sales force structure and management	Channels of distribution
	Positioning	Profit margins for sales customers		Types of middlemen
				Role of middlemen
Adaptation 60–80%	-	Retail price	Advertising	
		Wholesale price	Creative/execution style	
		Profit margins to end-users	Sales promotion	
			Personal selling	
		Discounts	Publicity/public relations	
Media allocation				
Adaptation 80–90%	-	-	Advertising/promotion budget	
Adaptation 90–100%	-	-		

Source: author's calculations based on the Expert survey conducted in October-December 2014.

Overall, the results of the Expert survey demonstrate a medium and high level of adaptation for most the marketing strategy elements. This means that, in practice, the significance of adaptation in achieving success on local markets is growing. The element that tends the most towards standardisation is product, specially its physical parameters, as their adaptation entails large expenses for the company. The elements that have the highest level of adaptation are price and promotion, which means that Latvian companies try to adapt to each market and every client to achieve better results.

2. Marketing strategy standardisation/adaptation influence on the business performance in Latvian exporter companies.

The analysis of the Expert survey shows that the most significant criterion in evaluating the performance of export activities is "the sales volume/its growth": 4.9 points out of 5 (5 being the most significant and 1 - non significant criterion). It is followed by the "owners'/management's satisfaction with the results" (4.3 points). "The market share" (3.4) and "the profit/its growth" (3.9) are slightly less important.

The experts' assessment shows that the degree of product standardisation/adaptation used by the companies has a markedly positive influence on the export business results. Similar results are observed for the use of the adaptation level of promotion and distribution – the ability of the companies to adapt these elements affects positively their export business results. According to the assessment of two experts, the marketing strategy element 'price' showed a negative influence, as the highly standardised (80-100%) sub-elements 'discounts' and "profit margin" negatively influenced the export business performance. Taking into account the fact that the most important business performance criterion is the sales volume, it can be concluded that Latvian companies do not always manage to achieve deals at desirable prices on the export markets.

Conclusions, proposals, recommendations

1. The research results prove that the standardisation/adaptation approach varies across the international marketing behaviour and that adaptation and standardisation are not mutually exclusive.
2. Overall, Latvian exporter companies mostly use moderately and highly adapted international marketing strategies. Promotion (70%) and price (73%) are the most adapted marketing strategy elements. Price is moderately adapted element (55%), and product is the least adapted element (49%). Particularly high standardisation is observed for product's sub-elements: 'quality', 'warranty' and 'features', as the physical product standardisation can provide significant savings for company on global scale.
3. The experts' preferable standardisation/adaptation degree differs from the actual degree for all marketing strategy elements, trending more towards standardisation.

4. Experts assessment illustrate that their chosen standardisation and adaptation degree of product, promotion and distribution has positive influence on export business performance. Some experts mention negative influence of high standardisation degree for element 'price', which leads to conclusion that not every export sales deal brings the desired profit margin.

Companies derived from small markets rarely can adopt the standardisation practices used by large multinational companies. Rather they would be more competitive in new markets if they can adapt to export market needs and competitive environment. However, once a company has strengthened its position in an export market, it can evaluate standardisation opportunities in order to create savings of resources.

Further research topics should make contribution to existing empirical studies regarding factors that influence decisions of marketing strategy standardisation/adaptation and find strategy fit-performance links that support trend to either standardisation or adaptation of the international marketing strategy.

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