Factors Influencing Marketing Programme Standardisation for Multinational and Multidomestic Firms

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Abstract

This study was carried out with the premise that a number of variables have the potential to create an impact on programme standardisation of multinational and multidomestic companies. The objective was to examine the effects of various factors on standardisation decisions in the marketing programme of multinational and multidomestic companies. The variables studied were market development, diversification, market intermediaries, market dynamics, environmental forces, obsolescence, market position, and nature of the product. Eight hypotheses were formulated to test the impact of each dependent variable on marketing programme standardization.

The term 'marketing programme' comprises various facets of marketing mix, which can be classified as product design, product positioning, brand name, packaging, retail price, basic advertising message, creative expression, sales promotion, media allocation, role of sales force, management of sales force, role of middlemen, type of retail outlets, and customer service. In order to segregate variables with a higher impact component, factor analysis was applied, which resulted in identifying eight variables. This was followed by binary logistics to understand the significance of these variables. A sample of 56 subjects, consisting of business and functional level managers working for multinational and multi-domestic companies, was taken through judgement sampling.

The research concluded that market development, diversification, environment forces, and market intermediaries have a significant impact in formulating and implementing a strategic marketing programme for multinational and multidomestic firms.

Keywords: Multinational, Multi-domestic, Marketing Programme Standardisation

1. Introduction

International business may be defined simply as business transactions that take place across national borders (Hill, 2005). This broad definition includes the very small firm that exports (or imports) a small quantity to only one country, as well as the very large global firm with integrated operations and strategic alliances around the world. One distinction that can be helpful is the distinction between multidomestic operations with independent subsidiaries which act essentially as domestic firms, and global operations with integrated subsidiaries which are closely related and interconnected. These may be thought of as the two ends of a continuum, with many possibilities in between. Firms are unlikely to be at one end of the continuum though, as they often combine aspects of multidomestic operations with aspects of global operations. For the sake of categorisation, the typology of multidomestic and multinational firms have been used to depict an international organisation's position on this continuum.

This research paper is divided into 4 main sections. The first part gives a basic introduction to the paper, the second section explains the variables studied, the third section provides a literature review, the fourth section presents data analysis, while the fifth and last section presents conclusions and implications. A structured questionnaire consisting of 23 questions was used to collect data from 56 functional and business level managers working for multinational and multidomestic firms. The questions were based on a 5-point Likert scale.

2. Variables

In this study, the impact of *eight independent variables* has been studied on the marketing programme standardisation of international firms, with the objective of exploring whether a combination of these variables impact an international firm's inclination to end up on either side of the continuum. To segregate variables with a higher impact component, factor analysis was applied at the preliminary stage of research, which resulted in identifying eight independent variables, whose impact was studied on marketing programme standardisation, which was treated as the *dependent variable*.

i. The term 'programme' comprises various facets of marketing mix, which can be classified as product design, product positioning, brand name, packaging, retail price, basic advertising message, creative expression, sales promotion, media allocation, role of sales force, management of sales force, role of middlemen, type of retail outlets and customer service. Advertising (ad message and creative expression) and, to a lesser extent, product design are two aspects of the **marketing programme** that have been examined more often than others, in both conceptual and empirical studies (John, 2002).
ii. **Market development** is a set of activities undertaken by a firm to expand demand for a particular product type and marketing activities designed to increase the overall size of its market through education and awareness, whereas market intermediaries are stakeholders of an organisation. They include retailers, wholesalers, sales agents, warehouse providers, transporters (logistics firms), creditors, media, etc. (Wilson, 2003).
iii. **Market dynamics** are all the changes which are taking place in market. The changing taste and behaviour of consumers form the primary driving forces of the market (Wilson, 2003).
iv. '**Nature of product**' as a term wherever used in this study implies whether the product is consumer or industrial (Wilson, 2003), whereas product obsolescence refers to the time and state in which a piece of technology or product ceases to be useful, productive or compatible. Product obsolescence may occur when a company stops producing, marketing or supporting a sold or developed product (Kotler, 1988).
v. **Market position** refers to the consumer's perception of a brand or product in relation to competing brands or products, while market positioning refers to the process of establishing the image or identity of a brand or product, so that consumers perceive it in a certain way (Wilson, 2003).
vi. **Diversification** implies how much the firm is involved in different sectors of the businesses. It is also suggestive of a corporate strategy to increase the variety of strategic business units and products to improve its overall position (Chisnall, 1995).
vii. According to Douglas, Susan and Wind (1987), segment differentiation and geographic scope are essential concepts of international planning at the business altitude. This is because the firm-specific and location-specific rewards of international businesses are largely strong-minded by strategic decisions along these two proportions (Douglas et al,

1987). Prahalad and Doz (1987) defined **geographic scope** as the level to which firms compete in key markets on behalf of profit sanctuary of market leaders, or includes up to date customers who provide opportunities for huge sales volumes.

viii. The **environmental forces**, at the macro level, include government regulations, technology, economic forces, socio-cultural factors and geo-demographics. At the micro level, they include customers, competitors, intermediaries and the likes (Kotler, 1988). A broad geographic scope shows that a firm competes in all or most key markets, while a narrow geographic scope indicates that a firm competes only in a small number of chosen markets (Abell and Derek, 1980).

ix. **Segment differentiation** refers to the level to which unusual competitive weapons are used in different important international markets. Segment differentiation around markets means diverse competitive weapons used in diverse international markets. In contrast, a homogeneous approach means that a firm uses similar competitive weapons in each marketplace it serves. While international marketing management literature had recognized the segment differentiation and geographic scope of strategy as important, the two dimensions have hardly ever been used together to classify international strategies. Instead, because of the necessity of a firm's international management and arrangement, researchers have tried to use these scopes separately to categorize international strategies (Abell & Derek, 1980).

3. Literature Review

A company that follows a multidomestic strategy fits its products to each country in which it does business. The product features are tailored to the local domestic environment, taking into account different food preferences, religious customs and other characteristics that define the locality. A multinational product, on the other hand, keeps the same characteristics, regardless of the country in which it is sold. The product does not change (to any considerable extent) according to local customs or preferences (Roth & Morrison, 1992).

According to Govindarajan (1988), while categorisation of international structure is clearly required, combining strategic and structural fundamentals into one categorization makes it hard to differentiate between the two and eliminate the likelihood of substitute alignments. A difference was required for determining if and when matches between definite strategies and definite structures lead to higher financial performance. Such an approach also permits findings of other studies regarding the associations among environment, strategy and structure to be connected to the present study. Indeed, growth of separate categorization of these determinants had aided observed investigations in the field of strategic management. In this study, a categorization of international business-level strategies built on the scope of segment differentiation and geographic scope is attempted. In addition, performance outcomes connected with specific international environment and business-level strategy matches are analysed. This study contributes to the international business literature by providing a categorization of strategy that does not rely on uniqueness of structure for its beginning, and by analysing the ability of this method to explain variations in firm performance (Govindarajan, 1988).

According to Chung (2010), a firm may utilize national relative advantage to strengthen its competitive advantages or balance its competitive weaknesses. As each nation's relative advantage is necessarily diverse, a firm that participates in many national markets has greater autonomy, both for proactive action and competitive reaction, than a firm that competes in only a few (Chung, 2010).

Erdogmus, Bodur and Yilmaz (2010) explain that within the international management literature, the theory of global and multidomestic industries were exercised to describe international industries. A global industry was described by the existence of customers with uniform needs and few hurdles to trade or foreign rights. A multidomestic industry was present when customer needs were heterogeneous/mixed or significant limitations on trade or foreign rights were made compulsory by governments. In other words, the bases of competition in global industries were fundamentally similar in each national market, while in multidomestic industries competition was more indigenous (Erdogmus et al, 2010).

Charlotte Gaston-Breton and Oscar Martín (2011) proposed a two-stage international market selection and segmentation model addressed to help decision-makers, such as foreign institutions and market-seeking MNEs, identify and select the most suitable European countries and groups of consumers (Breton & Martin, 2011). The first stage is conceived as a macro-segmentation screening process based on market attractiveness. The second is a micro-segmentation process addressed to identify which groups of people are most similar across Europe in terms of social and personal values. We root our model in previous assumptions and findings from International Market Selection (IMS) and Inglehart's theory of material and post-material values (Breton & Martin, 2011).

The model is applied to the current 27 European Union (EU) member states and is validated through the groups of countries empirically obtained. The model clusters the European countries by market attractiveness, group the European consumers by personal and social values and describe the value orientation of the resulting clusters. Cross-sectional data was used to validate the model. The implications encourage international marketing and business scholars to make use of Inglehart's framework (Breton & Martin, 2011).

According to Parisa Gilani and Yasamin Razeghi (2010), the domestic markets of manufacturing organizations have started to reach maturity and companies have sought to expand their international operations in order to grow. This has meant that there has been an increasing emphasis on the debate on whether companies should remain global or localize their marketing mix, and to what extent each element should be adapted or standardized. The paper aims to explore the degree to which manufacturing organizations need to standardise or adapt elements of their marketing mix. It demonstrates how a balance can be created between global and local approaches (Gilani & Razeghi, 2010). The paper defines the key concepts of adaptation and standardization, and outlines contrasting viewpoints in the literature. It uses existing frameworks as a basis for analysis. The use of case study examples that demonstrate both international brand failures and brand successes shed light on balancing local and global markets (Gilani & Razeghi, 2010).

Torben Juul Andersen (2011) says that multinational structure has been linked to operational flexibilities that can improve corporate adaptability and a knowledge-based view suggests that multinational resource diversity can facilitate responsive opportunities. The enhanced maneuverability from this can reduce earnings volatility and hence the corporate performance risk. But, the internationalization process may also require irreversible investments that increase corporate exposures and leave the risk implications of multinational enterprises somewhat ambiguous. Hence, the purpose of the paper is to present an empirical study of the implied relationships between the degree of internationalisation and various risk measures including downside risk, upside potential, and performance risk (Andersen, 2011). The paper provides a brief literature review, develops hypotheses, and tests them in two-stage least square regressions on archival data to control for pre-selection biases (Andersen, 2011).

A synthesis of the literature reviewed above shows that segment differentiation and geographic scope take on greater significance in international industries than in those restricted to domestic boundaries. Other factors, such as whether a firm decides to compete via low cost, product differentiation, or both, remain important. However, decisions to participate across national boundaries enforce a unique set of requirements on a firm, and so the relative significance of segment differentiation and geographic scope enlarge. In the interests of cost-cutting, it was useful, in both a theoretical and experimental sense, to limit any categorisation of strategy to the scope that was most applicable to the competitive circumstances. Based on the proposed framework, a firm pursues a mass-market strategy when it uses a similar set of competitive weapons from corner to corner on a broad geographic scope. Firms with a segmented strategy also aim a broad geographic scope, but exercise different competitive weapons in diverse national markets.

4. Statistical Analysis

In the preliminary phase of this study, 18 variables were chosen to determine the impact of each on marketing programme standardisation. Factor analysis was used to sort out the variables with a higher impact factor. After Rotated Component Matrix (see Table 1) was applied, the research ended up with eight variables to be placed as independent variables.

Table 1: Component Matrix

	Component							
	1	2	3	4	5	6	7	8
The ongoing level of competition in the industry is intense	.767							
The marketing infrastructure (retailers, wholesalers, sales agents, warehousing, transportation, credit, media, etc) of your organisation is standardised	.733							
The current market development process of your organization's existing products or services to new customers	.729							
The ongoing level of competition in the industry is moderate	.682							
The marketing infrastructure (retailers, wholesalers, sales agents, warehousing, transportation, credit, media, etc) of your organization is need based	.641							
Economic conditions of Pakistan	-.626							
The ongoing level of competition in the industry is low	.509							
Production related value chain processes present opportunities to improve your current market position		.878						
The current market development process of your organization with respect to new products or services to new customers		.808						
The more similar the marketing infrastructure in the home and host countries the higher the degree of standardization		.574						
Product line to current market share			.620					
Marketing related value chain processes present opportunities to improve your current market position			.566					
The marketing infrastructure (retailers, wholesalers, sales agents, warehousing, transportation, Credit, media, etc) of your organization is Customized (Flexible)				.855				
How do you rate the market position of your company at present?					.839			
The current market development process of your organization with respect to new products or services to existing customers					.697			
Innovations by competition is the environmental threat which your organization faces most commonly						.838		
Changing tastes of consumers is the environmental threat which your organization faces most commonly						.723		
Government regulation is the environmental threat which your organization faces most commonly							.794	
Obsolescence is the environmental threat which your organization faces most commonly								.803

For testing the hypotheses, Cox and Snell's R-square (1989) was used as a baseline statistical model. However, with categorical outcomes, it has a theoretical maximum value of less than 1, even for a 'perfect' model. Nagelkerke's R-square (1991) was employed as an adjusted version of the Cox and Snell R-square to cover the full range of values from 0 to 1.

The Cox and Snell R square in this model (see Table 2) summarizes the .438 proportion of variance in the dependent variable associated with the predictor, with larger R2 value which indicates that more of the variation was explained by the model, to a maximum of 1. NagelKerke's R-square indicates that .584 variations were explained by the data.

Table 2: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	41.043[a]	.473	.630
2	41.195[a]	.471	.628
3	41.832[a]	.465	.620
4	43.003[a]	.454	.605
5	44.556[b]	.438	.584

Results of the test in Table 3, below, show that market intermediaries, market development, and diversification are the three variables which differ significantly between multinational and multidomestic firms, indicating that these variables have considerable impact on marketing programme standardisation.

Table 3: Hypotheses Testing Summary

Hypothesis	Independent Variable	Exp beta	Sig Level	Results (Accepted/ Rejected)
H1: There is a significant difference in Market Intermediaries of organisations following programme standardisation as against those which do not practice programme standardisation.	Market intermediaries	.251	.003	(Accepted)
H2: There is a significant difference in Market Development of organisations following programme standardisation as against those which do not practice programme standardisation.	Market Development	.359	.016	(Accepted)
H3: There is a significant difference in Diversification of organisations following programme standardisation as against those which do not practice programme standardisation.	Diversification	3.079	.012	(Accepted)
H4: There is a significant difference in Nature of Product of organisations following programme standardisation as against those which do not practice programme standardisation.	Nature of product	1.387	.469	(Rejected)
H5: There is a significant difference in Market Dynamics of organisations following programme standardisation as against those which do not practice programme standardisation.	Market Dynamics	1.719	.245	(Rejected)
H6: There is a significant difference in obsolescence of product for organisations following programme standardisation as against those which do not practice programme standardisation.	Obsolescence of product	.636	.280	(Rejected)
H7: There is a significant difference in environmental forces of organizations following organisations following programme standardisation as against those which do not practice programme standardisation.	Environmental forces	.425	.037	(Accepted)
H8: There is a significant difference in Market Position of organizations following organisations following programme standardisation as against those which do not practice programme standardisation.	Market Position	.860	.702	(Rejected)

5. Conclusion and Implications

Throughout this study, it was found that multinational strategies and multidomestic strategies vary in nature and execution. When the firm is involved in industrial selling, multinational strategy works very efficiently and effectively. Multinational strategy was also found to be more economical as compared to multidomestic strategies. However, a multidomestic strategy becomes imperative when buyers' tastes and preferences vary, and in many geographic areas, awareness also plays a major role for companies to opt for multidomestic strategies.

Programme standardisation is a very complex and multifaceted topic of research. The biggest hurdle faced by researchers is the selection of variables to be studied. This research, it may be justifiably claimed, has at least made this task easier and simpler for future researchers. However, there are still other factors which may have an impact on program standardisation, and future research will do well to incorporate them in later studies. Also, those factors not found significant in this particular study, may still come out significant in a study relying on a still wider sample and a modified or different model.

After analysing all aspects of the problem, the researcher lays a strong claim that the findings are accurate and reliable, and may be employed as valuable inputs by multinational and multidomestic companies. While carrying out an environmental scan, all companies face the basic question of which variables to prioritise. This research systematically figures out those variables at a categorical level. Therefore, this study can be of high value to firms in long term strategic planning.

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