

## Using the STRATADAPT Scale to Measure Marketing Mix Strategy in International Markets

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**Abstract:** The development of marketing strategies optimally adjusted to export markets has been a vitally important topic for both managers and academics for about 5 decades. However, there is no agreement in the literature about which elements integrate marketing strategy and which components of domestic strategies should be adapted to export markets. The purpose of this study is to develop a new scale-STRATADAPT. Results from a sample of 100 exporting firms support a 4-dimensional scale -product, promotion, price and distribution strategies - of 30 items. The scale presents evidence of composite reliability as well as discriminate and homological validity. Findings reveal that all 4 dimensions of marketing strategy adaptation are positively associated with the amount of the firm's financial resources allocated to export activity.

**Keywords:** Adaptation strategy, export enterprises, international marketing, Iran, marketing strategy, standardization strategy

### INTRODUCTION

While exporting is one of the fastest growing economic activities today, no strong theoretical framework exists for researching export activity in Iran. At present, international marketers' major goal is to understand the mechanisms of inter-firm partnerships and to improve their efficiency (Katsikeas, 2006). Proper management of international operations is crucial to create a value proposition that meets the needs of foreign customers so that companies can achieve positive, sustainable performance (Skarmas and Katsikeas, 2001).

Managers and researchers are concerned that export studies do not provide concrete guidelines for firms to manage their operations in international markets. In the presence of large, global competitors, international markets are increasingly attractive for companies. While multinational and larger firms often suggest that strategy adjustments to their foreign markets are prohibited because of "corporate policy", they may use their lighter structure to rapidly adapt their strategies to the special needs of the foreign market and in this way achieve competitive advantage. Another strength is that once they become involved in international relationships they present high-corporate commitment which is essential for building positive long-term relationships with the importer and achieving competitive advantage over larger corporations (Czinkota, 2002). Hence, in this study, we focus on the extent to which marketing strategy elements are adapted/standardized in international markets.

The topic of adaptation/standardization has been the subject of spirited, on-going discussion for several decades (Jain, 1989; Griffith *et al.*, 2000). Despite the intense research and managerial interest in the topic, recent articles indicate that the topic of strategy adaptation/standardization remains clouded and unresolved among international academics and practitioners. Managers of export companies have few guidelines on how to adapt or standardize their marketing-mix elements (Shoham, 1999; Katsikeas *et al.*, 2006).

In this study, we consider a firm's individual product-market export venture as the unit of analysis to assess a continuum that ranges from pure standardization (with no differences between the domestic and foreign markets) to pure adaptation (completely different). By paying particular attention to issues of validity and reliability, we expect that the STRATADAPT scale will enhance the quality of future empirical research on export marketing strategy adaptation. Additionally, since earlier research has focused on single aspects of the marketing mix while using mostly US firms, our goal is also to contribute to the field by considering the adaptation of all four marketing-mix aspects-product, promotion, price and distribution strategies-while using the experience of non-US companies. At the practitioner level, our main goal is to help managers develop better informed tactical and strategic decisions by providing a basis to assess international marketing strategies. To this end, we present the STRATADAPT scale, a new measure of

marketing strategy that varies along a continuum from “pure standardization” to “pure adaptation” of domestic strategies for the foreign market.

We start by discussing international business literature in the adaptation/standardization field and current practices regarding the operationalizations of this concept. Next, we develop the STRATADAPT scale and test it using 100 export firms in Iran. Results are then presented and discussed.

## LITERATURE REVIEW

The issue of standardization was first raised with respect to international advertising policy (Elinder, 1961; Fatt, 1964; Roostal, 1963). Since then, the scope of the discussion has expanded to include the entire marketing program (Buzzell, 1968) and marketing process (Sorenson and Wiechmann, 1975). Among the elements of the marketing program, the product and advertising variables have received most of the research attention in the literature (Hill and Still, 1984; Jain, 1989; Keegan, 1969; Levitt, 1983; Mc Guinness and Little, 1981; Walters and Toyne, 1989). Standardization has been conceptualized in different ways. For instance, it can mean the same marketing strategy is applied in all markets (Samiee and Roth, 1992), or it can mean the domestic marketing strategy is applied to a foreign market (Cavusgil *et al.*, 1993).

Numerous publications on the topic have revealed at least 3 dominant perspectives: the total standardization perspective, the total adaptation perspective and the contingency perspective.

In a broad sense, the total standardization perspective emphasizes the trend towards the homogenization of markets and buyer behavior and the substantial benefits of standardization. In contrast, the total adaptation perspective stresses the persistent differences between nations and the competitive and regulatory necessity to customize marketing strategy to individual markets. The contingency perspective allows for various degrees of standardization which are contingent on the internal organizational characteristics (goals, resources, commitment and international experience) and external environmental forces (market demand, nature of product/industry, competitive pressure, government regulations and technology).

In an extreme case, a total standardization of the marketing program would entail offering identical product lines at identical prices through identical distribution systems with identical promotional programs (Buzzell, 1968). Two premises underlie the arguments for standardization. One is that the markets around the world are becoming homogeneous, making standardization feasible. Another is that there are significant benefits associated with a standardization strategy.

**The positive aspects of standardization:** The major benefits of international marketing standardization include significant cost savings, consistency with customers, improved planning and distribution and greater control across national borders (Buzzell, 1968). Levitt (1983) provided the most compelling case for international marketing standardization. He argued that advanced technology in communication and transportation has homogenized markets around the globe. As a result, global consumers have emerged who demand high-quality products at low prices.

These changes in the global marketplace have led to changes in the competitive dynamics between companies. One key source of competitive advantage has become the ability to produce high-quality products at a low cost. Since standardization of products and international marketing strategy facilitates the realization of economies of scale in production and marketing, Levitt argued that firms must pursue a standardized product and international marketing strategy to be successful in the global market. Similarly, Ohmae (1985) contended that, in the triad of the USA, Japan and Europe, consumer demand has become fairly homogeneous. Firms must not be blinded by the seemingly heterogeneous cultures, economies and political systems across countries. They must seek the opportunities to rationalize their worldwide operations and treat the world as a single global market. Ohmae and Prahalad (1985) also stressed the increasing interdependence between country markets. To be effective global competitors, firms have to overcome national fragmentation of markets and cross-subsidize their operations in different parts of the world. One way to facilitate cross-subsidization is to standardize the products and the marketing strategy, since global brand domination and the benefits of global channels can be enhanced.

**The negative aspects of standardization:** Despite the benefits of standardization, there are a number of potential drawbacks associated with a standardization strategy. As Douglas and Wind (1987) pointed out, global marketing standardization is feasible only under certain conditions. These include the existence of a global market segment, potential synergies from standardization and availability of a communication and distribution infrastructure to deliver the firms' offerings to target customers worldwide.

One key drawback of a standardization approach is that it implies a product orientation, rather than a customer and competitor orientation (Douglas and Wind, 1987). A product orientation is myopic and presbyopic and is likely to lead to failure (Cateora, 1993; Laughlin *et al.*, 1994).

The marketing literature has established that a market orientation, in which customers and competitors

are the focus of a company's strategy, can lead to enhanced business performance (Jaworski and Kohli, 1993; Lusch and Laczniak, 1987; Narver and Slater, 1990). A company that emphasizes product costs can be blinded about idiosyncratic customer needs and preferences across countries and become vulnerable to competitive attacks in individual foreign markets (Cavusgil and Zou, 1994; Ricks, 1983).

Marketing standardization is subject to both internal and external constraints. Failure to respond to these constraints can deny a firm success in international markets (Cateora, 1993; Cavusgil and Zou, 1994). Internally, the company's existing worldwide network of operations may be incompatible with a standardized strategy. Moving too quickly towards global standardization can result in the disruption of established operations and the loss of key assets and managerial skills (Douglas and Wind, 1987; Quelch and Hoff, 1986). In addition, standardization is likely to encounter significant resistance from local subsidiary management (Ohmae, 1989). Thus, conflict can develop and the effectiveness of the company's international strategy can be negatively affected.

The degree of standardization must also be consistent with the company's international experience (Andrus and Norvell, 1990; Cavusgil *et al.*, 1993; Douglas and Craig, 1983). Firms with different levels of international involvement tend to pursue different degrees of standardization (Andrus and Norvell, 1990).

Externally, a standardized strategy is subject to diverse government regulations and marketing infrastructure differences (Doz and Prahalad, 1980; Kreutzer, 1988; Simmonds, 1985; Zou and Cavusgil, 1996). A standardization strategy may not be feasible when government regulations vary across markets, especially when foreign businesses are required to meet environmental regulations, product safety standards, or local content requirements (Cavusgil *et al.*, 1993; Wind, 1986). Similarly, an adaptation strategy is required when substantial differences exist in marketing infrastructure since the same marketing campaign may fail as a result of infrastructure deficiencies in some markets (Boddewyn *et al.*, 1986; Douglas and Wind, 1987; Grosse and Zinn, 1990; Hill and Still, 1984). More importantly, cultural differences and competitor strategy are external factors related to standardization. Marketers must be aware of and sensitive to the diverse cultures in foreign countries to survive and prosper in international markets (Cateora, 1993; Ricks, 1983). A standardized approach is feasible only in those markets where cultures are not significantly different. Competitor's strategy also may limit the feasibility of a standardized approach in international markets (Zou and Cavusgil, 1996). If the prevailing practice of competitors is to adapt the marketing program and

process to the idiosyncrasies of the foreign market, the company's standardized approach can be undermined (Cavusgil and Zou, 1994; Yip, 1989).

**The adaptation/standardization debate:** The issue of adaptation/standardization of marketing strategies to foreign markets emerged in the international business literature during the 1960s. Initially, proponents of standardization argued that strategy founded on basic human-nature appeals (e.g., nurturing mother-child relationships; desire for a better life, beauty, health and freedom) could be as effective across the globe as across various US regions (Elinder, 1961, 1965). Subsequent research (Dunn, 1966) demonstrated that key market and economic data (e.g., degree of competition, level of education of consumers, standard of living and economic development) should be considered to discover the appropriate balance between adaptation and standardization. After extensive research in the following decades (Sorenson and Wiechmann, 1975; Levitt, 1983; Ozsomer *et al.*, 1991), it is now recognized that several internal and external forces influence the degree of standardization/adaptation.

Multinational companies, in their effort to expand their global presence and market share, increase profitability and to overcome problems related to saturation of existing markets, continually seek opportunities for growth (Vrontis and Thrassou, 2007).

As such, there is no right strategy but each strategy could be the optimal under specific internal and external forces (Katsikeas *et al.*, 2006). Table 1 summarizes the key factors influencing a company to follow a standardized or an adapted strategy.

**Adaptation/standardization in markets:** Similarly, the widely accepted view in the literature is that both standardization and adaptation of marketing programs can enhance performance if implemented under specific conditions. Although firms may achieve a greater profitability by adapting their strategy to foreign market requirements (McGuinness and Little, 1981), managers often complain about the complexity of managing marketing-strategy variables across borders due to foreign market specificities (Dolan and Simon, 1996). Some of these concerns are associated with local distribution infrastructure (e.g., types of outlets, intermediary margins and transportation costs), competitive practices, politico-legal issues (e.g., government policies such as price and tax controls, tariff and non-tariff trade barriers), economic circumstances (e.g., consumers' purchasing power), socio-cultural variables (e.g., cultural traditions, education and language) and the degree of technology development. By using an adapted approach, sellers may achieve greater customer satisfaction, which in

Table1: Factors favoring standardization/adaptation

Factors favoring standardization	Factors favoring adaptation
The company's focus on industrial products instead of consumer products, for which technical specifications are important, facilitates standardization	The company's focus on consumer products, which are more susceptible to be influenced by individual tastes, favors adaptation
Lower costs as a result of economies of scale in production, marketing, and R and D	Possibility of garnering higher profits by addressing variations in consumer needs and conditions of use (e.g., skill level of users)
Similarity of customer tastes and consumption patterns across different markets that have analogous income levels and economic growth	Variations in consumer purchasing power
High cost of adaptations	Differences in government regulations, e.g., products' technical standards, local content laws and tax policies
	Cultural differences, namely in terms of traditions, language, tastes and consumption habits
Standardized strategy followed by competitors	Adaptation strategy followed by competitors
Centralization of authority for establishing policies and allocating resources	Decentralization of authority
Strong linkage of the subsidiary and the headquarters	Independence and autonomy of national subsidiaries, which might develop their own products
Ethnocentric orientation	Polycentric orientation
Foreign and domestic markets for a product are in the same stage of development	Foreign and domestic markets for a product are in different stages of development

Levitt (1983), Jain (1989) and Terpstra *et al.* (2006)

turn may result in greater pricing freedom. Nevertheless, some significant paybacks are associated with standardization. For example, buyers may prefer standardized products because, due to economies of scale, firms can provide lower prices while increasing quality and reliability (Levitt, 1983). Moreover, price standardization may improve export performance, particularly if the domestic price is lower than the price in the export market or if the exporting firm can take advantage of the exchange rate between different currencies (Lages and Montgomery, 2005).

**Existing measures of marketing strategy adaptation/standardization:** Since the appropriate strategy is contingent upon a variety of internal and external factors (Jain, 1989; Theodosiou and Leonidou, 2003), we recognize the advantages and disadvantages associated with both adaptation and standardization (Table 1). Hence, in line with the most recent studies in the field, we agree that when operationalizing this concept, it is vital to assess the continuum between the 2 extremes-pure standardization and pure adaptation.

To the best of our knowledge, the study of Theodosiou and Leonidou (2003) is the most comprehensive review of operationalization processes conducted to date on marketing strategy adaptation/standardization. They analyzed in-depth studies and conceptualized marketing strategy adaptation/standardization with a total of 35 elements: 11 items for product, 11 for promotion, eight for pricing and 5 for distribution.

Within the field of international marketing, when a company decides to begin marketing products abroad, a fundamental decision is whether to use a standardized

marketing mix (product, price, place, promotion, people, physical evidence, process management, etc.) with a single marketing strategy in all countries, or to adjust the marketing mix to fit the unique dimensions of each potentially unique local market. However, literature quoting practical evidence suggests that companies make contingency choices, which relate to key determinants in each circumstance (Vrontis *et al.*, 2006).

Chung (2007) argues that the basis for marketing standardization is the comparison of market operation in the home market to market operation in a foreign host market. He goes further, to claim that factors related to the extent of standardization in a foreign market must be identified. He highlights the importance of the interaction method that helps to identify the indirect influence of factors in the selection of standardization strategies and tactics (Ryans *et al.*, 2003).

Buzzell (1968) and Buzzell *et al.* (1995) state that in the past, dissimilarities among nations led multinational companies to view and design their marketing planning on a country-by-country basis (i.e., as a local marketing problem). However, as Buzzell *et al.* (1995) note, this situation has changed and the experiences of a growing number of multinational companies suggest that there are potential gains to be obtained by standardizing marketing practices.

Export researchers have used various measures to assess marketing strategy adaptation mainly because there is no consensus on its conceptual and operational definitions (Theodosiou and Leonidou, 2003). In the following pages, we develop and operationalize a measurement scale to assess the degree of marketing strategy adaptation using 4 dimensions:

Table 2: The STRATADAPT scale constructs items and reliability

Dimensions of marketing strategy			
Adaptation	Items	$\alpha/\rho_{\text{vct(n)}}/\rho$	t-value
PROD	Product adaptation to the export	0.93/0.70/0.97	
V1	Positioning		8.56
V2	Design/style		9.80
V3	Quality		9.96
V4	Features/characteristics		9.50
V5	Brand/branding		9.07
V6	Packaging		9.09
V7	Labeling		8.45
V8	Services		10.22
V9	Warranty		10.01
V10	Items/models in product line		10.56
PRIC	Price adaptation to the export market	0.93/0.79/0.86	
V11	Retail price		11.55
V12	Wholesale/trade price		11.98
V13	Profit margins to trade customers		12.09
V14	Profit margins to end-users		12.31
V15	Discounts		8.96
V16	Sales/credit terms		9.67
PROM	Promotion adaptation to the export market	0.95/0.76/0.86	
V17	Advertising		10.03
V18	Creative/execution style		9.67
V19	Message/theme		12.78
V20	Media allocation		7.45
V21	Sales promotion		11.43
V22	Sales force structure/management		12.56
V23	Sales force role		11.24
V24	Public relations		12.44
V25	Personal selling		9.56
V26	Advertising/promotion budget		9.98
DIST	Distribution adaptation to the export market	0.92/0.79/0.84	
V27	Channels of distribution		12.24
V28	Physical distribution		12.02
V29	Type of middlemen		11.78
V30	Role of middlemen		11.36

Degree of strategy adaptation for the selected product to the selected export market: 1 = Without any difference, 2 = Not very different, 3 = Moderately different, 4 = Very different, 5 = Completely different;  $\alpha$ : Internal reliability (Cronbach, 1951);  $\rho_{\text{vct(n)}}$ : Variance extracted (Fornell and Larcker, 1981);  $\rho$ : Composite reliability (Bagozzi, 1980)

- Product adaptation
- Promotion adaptation
- Price adaptation
- Distribution adaptation

In recent years, researchers have typically used 2 approaches to measure the degree of adaptation/standardization: adaptation of a marketing program (program-oriented adaptation) and adaptation of a marketing process (process-oriented adaptation). Marketing processes focus on a company's procedures used in developing marketing decisions, i.e., the intellectual method used to approach a marketing problem, to analyze it and to synthesize this information to make a decision. Adaptation of a marketing program is related to the adaptation of various aspects of the marketing mix such as product, promotion, price and distribution (Sorenson and Wiechmann, 1975; Kreutzer, 1988; Jain, 1989). Although this research develops a measurement scale exclusively for measuring marketing program

adaptation, future development of a measurement scale for assessing marketing process adaptation is also needed and strongly encouraged (Griffith *et al.*, 2000), since this is another area requiring valid and reliable scales.

Earlier research on the adaptation of marketing programs has tended to examine:

- Marketing strategies across various international markets
- Domestic marketing strategies applied to various foreign markets (Cavusgil and Zou, 1994)

The first perspective requires a comparison of the marketing strategies used for various international markets, aimed to explore the differences in marketing strategy elements across various global markets (Picard *et al.*, 1988; Samiee and Roth, 1992).

The second approach regards the extent to which it is possible to implement domestic strategies in foreign markets. This requires an observation of the differences

between strategies used in domestic and foreign markets. Although research on the application of domestic marketing programs to foreign markets is sparse, this is considered the most advisable approach to use to avoid muddled and inaccurate measures (Cavusgil and Zou, 1994; Theodosiou and Leonidou, 2003). Hence, the current study follows this approach. In line with Cavusgil and Zou (1994), our focus is the marketing strategy defined for a single export venture. This approach (a single product or product line exported to a single foreign market) will allow future researchers using these measures to associate marketing strategy adaptation more precisely with its antecedents and outcomes. We regard marketing strategy adaptation along a continuum from pure standardization (with no differences) to pure adaptation (completely different).

Product adaptation is conceptualized as the degree to which the product (including positioning, design/style, quality, features/characteristics, brand/branding, packaging, labeling, services, warranty and items/models in the product line) differs from that of the domestic and export markets. Similarly, pricing adaptation refers to the degree to which the pricing strategies (retail price, wholesale/trade price, profit margins to trade customers, profit margins to end-users, discounts and sales/credit terms) for a product differ across national boundaries.

Promotion adaptation is defined as the adjustment of the domestic promotional program (advertising, creative/execution style, message/theme, media allocation, sales promotion, sales force structure/management, sales force role, public relations, personal selling and advertising/promotion budget) to the export market. Chung (2007) argues that culture has no main effect on product, price, place and process. Instead, the main effect is on promotional efforts, meaning that firms should use an adapted promotional approach when entering a different cultural environment.

On the other hand, Jae *et al.* (2002) differentiate between international and transformational advertising styles. They claim that transformational messages associate the brand with a unique set of psychological characteristics and therefore are universal. Conversely, informational advertisements are more often localized, as they concentrate on consumers' practical and functional needs by emphasizing product features or benefits.

Finally, distribution adaptation reflects the adjustment of distribution (distribution channels, physical distribution, type and role of middlemen) to the export market, as shown in Table 2.

## **MATERIALS AND METHODS**

We investigate the extent to which marketing strategy elements are adapted/standardized in international markets in a SMIEs' context.

Data were collected by questionnaire that sends to Iranian managers of 100 firms who were directly involved in the particular export ventures under study. Respondents held positions such as managing director, marketing director and exporting director. The questionnaires were collected over a period of 2 months. A valid sample of 88 questionnaires was collected, from 88 representatives of Iranian exporting firms. The following 5 topics were excluded as they were unclear to several managers: general product, general price, pricing method/strategy, general promotion and general distribution. In order to avoid translation errors, the questionnaire was back-translated into English by a different researcher (Douglas and Craig, 1983). A full listing of the final 30 questions and their scale reliabilities are presented in Table 2.

## **RESULTS AND DISCUSSION**

In line with past research examining the standardization/adaptation phenomenon (Cavusgil and Zou, 1994; Zou and Cavusgil, 1996; Katsikeas *et al.*, 2006) we employed CFA to assess the measurement properties of the new scales. CFA provides a better estimate of reliability than coefficient  $\alpha$  (Steenkamp and Trijp, 1991) because while coefficient  $\alpha$  assumes that different indicators have equal factor loadings ( $\lambda$ ) and error variances ( $\delta$ ), CFA considers the differences among the existing indicators (Styles, 1998). The  $\chi^2$  of this model is significant since the  $\chi^2$  statistic is sensitive to sample size. Using this model, we also assessed additional fit indices: the Non-Normed Fit Index (NNFI), the Comparative Fit Index (CFI) and the Incremental Fit Index (IFI). All 3 fit indices for the sample presented satisfactory values (NNFI = 0.94, CFI = 0.91 and IFI = 0.96).

As can be seen in Table 2, convergent validity is evidenced by the large and significant standardized loadings of each item on its intended construct. As shown in Table 2, all constructs present desirable levels of composite reliability (Bagozzi, 1980). Discriminant validity among the constructs was stringently assessed using the Fornell and Larcker (1981) test; all possible pairs of constructs passed this test (Table 2); more specifically, the average variance extracted was above the recommended level of 0.50 for all 4 constructs. Evidence of discriminant validity was also revealed by the fact that all of the construct inter-correlations were significantly different from 1 (the highest is for price

and distribution, 0.73) and the shared variance among any 2 constructs (i.e., the square of their inter-correlations) was less than the average variance extracted for each construct.

Hence, none of the correlations in the final model was sufficiently high to jeopardize discriminant validity (Anderson and Gerbing, 1988).

In order to assess nomological validity, we tested the relationship between our 4 measures and another construct to which they are thought to be theoretically related (Churchill, 1995). More specifically, we tested for the existence of a positive and significant relationship among the 4 constructs in the STRATADAPT scale and "Financial resources available for exporting (FIN)".

There are well-grounded theoretical and empirical reasons to expect a positive relationship between FIN and the extent to which the marketing strategy is adjusted to the foreign market (Morgan *et al.*, 2004). The reasons are that as increasing levels of resources are committed to the export venture managers can improve planning procedures and implement more adaptive strategies, as adaptations require greater resources.

Additionally, when more resources are allocated to exporting ventures, managers are motivated to work harder on demanding tasks such as strategy adaptation. Without allocation of appropriate resources to export ventures, firms are unable to engage in the necessary adaptations of their marketing strategy to meet local market needs (Lages *et al.*, 2008a). Therefore, nomological validity would be demonstrated if the scores of the four measures of STRATADAPT positively and significantly correlated with FIN. We found a positive, significant relationship between the four dimensions of STRATADAPT and FIN. Given that all coefficients are positive and significant, (at  $p < 0.05$  or greater) (a much greater proportion than would be anticipated by chance) we can assume that marketing strategy adaptation to a foreign market is partially due to the financial resources that were allocated to the exporting activity and hence, we can conclude that the nomological validity of the 4 proposed measures is supported (Cadogan *et al.*, 1999; Cross and Chaffin, 1982).

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