FACTORS INHIBITING THE STANDARDIZATION OF GLOBAL CHANNEL STRATEGY

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ABSTRACT

The standardization vs. adaptation debate in the marketing literature has inspired a substantial research stream over the past four decades. What is more, the focus on globalization and the difficulties that many multinational companies have faced while implementing a global marketing strategy have reignited this debate in recent years. Basically, the standardization vs. adaptation debate centers on whether firms operating at an international or global level should standardize their marketing strategies and programs to offer an essentially uniform marketing mix in all of the markets within which they operate around the world (Levitt 1983, Ohmae 1989, Yip 1996, Backhaus and van Doorn 2007). Or, whether the marketing mix should be adapted to reflect differences in macro-environmental factors among various countries (Britt 1974, Buzzell 1968, Douglas and Wind 1987, Katsikeas et al. 2006, DeMooij 2000). Both sides of the debate have been addressed in the marketing literature over the years with arguments offered as to why an emphasis on standardization rather than adaptation should be pursued and vice versa (Douglas and Craig 1986,Theodosou and Leonidou 2003, Vrontis et al. 2009). A definitive outcome to this debate has still not emerged. For the most part, however, the standardization vs. adaptation debate has been conducted at a comprehensive level of marketing strategy. That is, the arguments have generally been presented as if they apply equally to all four strategic components of the marketing mix: product, price, promotion, and place (channels of distribution). Therefore, if a case can be made for standardizing product strategy, the same reasoning would apply to pricing, promotion, and place strategies. This would result in virtually the same product being sold, using the same promotional message, at the same price, and through the same channels of distribution in all different countries being targeted.

The purpose of this paper is to show that the standardization vs. adaptation debate does not apply equally across all the four strategic areas of the marketing mix. Specifically, we argue that three underlying phenomena or forces in global markets, *culturally distant distribution behavior*, *distributive institution rigidity*, and *international functional fragmentation*, inhibit the firm's ability to standardize channel strategy across global markets. First, *culturally distant distribution behavior* requires MNCs to understand and respond to the cultural norms and value systems of their foreign channel members. In other words, cultural distance creates a considerable barrier to a standardized channel strategy in global markets. Therefore, even a large and powerful MNC must take into account cultural differences and adapt its channel strategy accordingly. Further, the distributive institutions that comprise the marketing structure in many countries around the world are typically not fluid and changeable in the short run. Rather, they tend to be rigid and stable for relatively long periods of time – in some cases for centuries. We refer to this characteristic of distribution infrastructure as *distributive institution rigidity*. Finally, distributive institutions emerge and exist to perform the numerous marketing functions or distribution tasks that need to be undertaken to create the channel flows that connect sellers and buyers together in the marketplace (Vaile et al., 1952). However, marketing intermediaries of the same type and size in different countries do not perform identical distribution functions (Czinkota 1985b, Rosenbloom et al. 1997, Stock and Lambert 1983). We call this phenomenon *international functional fragmentation.*

References Available on Request.