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Determinants of brand localization in international markets

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Abstract A key marketing strategy decision area for firms in the international marketplace concerns the standardization or localization of brands across national markets. Drawing upon international marketing and brand management literature, this study conceptualizes and examines brand localization using the four brand elements. From the contingency perspective, a set of internal and external environmental determinants are hypothesized to influence the localization of brands in foreign markets. Based on field interviews with Korean exporters, we conduct a survey method to collect data via e-mail from Korean firms engaged in exporting. The final sample consists of 232 exporters across diverse industries. The results from a structural equation model indicate that firms' extent of internationalization, research and development intensity, firm size, foreign market similarity vis-à-vis home market, and market uncertainty are significantly related to brand localization. Thus, the proposed factors are significant predictors of brand localization by Korean firms in international markets.

Keywords Brand localization · International brand · International marketing strategy

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1 Introduction

International branding considerations are a primary concern of firms operating in multiple markets (cf. Leonidou et al. 2002). Firms have a vested interest in achieving superior performance in international markets, but face two diametrically opposing forces. On the one hand, the use of uniform brands across markets offers advantages in terms of costs as well as ease of planning and implementation (Jain 1989; Dikova and Brouthers 2016). Furthermore, uniform brands can leverage off greater customer familiarity across national boundaries in an increasingly global marketplace (Barron and Hollingshead 2004; De Meulenaer et al. 2015). On the other hand, extending purely domestic brands (those that were not conceived and developed for international markets at inception) to new markets may prove suboptimal in terms of their overall appropriateness and appeal with respect to aesthetics, positioning, meaning, pronunciation and, hence, customer acceptance (Van Gelder 2005; Haley and Boje 2014).

Two related streams of research address the brand localization–standardization issue. First, the extensive literature on international marketing standardization often includes brand as a summarized component of the overall product or marketing strategy; that is, one of many items that are combined to represent the firm's international marketing effort (e.g., Boddewyn et al. 1986; Boddewyn and Grosse 1995; Whitelock and Fastoso 2007). For example, in a broader study of the marketing of U.S. products in Europe, Boddewyn and Hansen (1977) reported 50% brand standardization but, importantly, expected only a minor shift from brand localization in Europe by U.S. firms (p. 553). This stream also includes studies of international marketing strategy that incorporate brand as a single item representing one of the several constructs (typically the product construct). Studies by Johnson and Arunthanes (1995) and Özsomer and Simonin (2004) are representative of this group. The second stream surveys available brands at the market-level across countries and arrives at conclusions based on the available evidence in the international marketplace. For example, Rosen et al. (1989) examined the extent to which firms make international use of 651 well-known U.S. consumer brands from 100 different product categories. Similarly, Whitelock et al. (1995) examined 67 of the top 100 brands in the U.K. for their Europe-wide application and compared the pan-European brands with the rest. Sandler and Shani (1992), on the other hand, examined the extent of the relationship between advertising and brand standardization for 1228 brands marketed by 287 firms.

These studies have made important contributions in illuminating the extent to which international marketing and brand localization are being conceived and implemented. However, they treat brand as a single item or measure, and, thus, do not explore the localization (or standardization) of the integral components of brands (cf. Keller 2003). Therefore, the key objective of this study is to investigate brand localization–standardization in foreign markets at the component level. Although Keller (2003) suggested the forms of various brand elements, such as brand names, logos, symbols, and so on, there is no empirical research that examines brand strategy using a multi-item approach. To overcome this limitation in the literature on international brand localization–standardization, this study identifies crucial elements of brands with respect to brand localization decisions across national markets.

Furthermore, the unit of analysis in previous studies is either multi-national corporations (MNCs) or the leading brands in a particular region, typically a Western market. The literature asserts the need to understand localization–standardization decisions in Asian firms (Johnson and Aruthanes 1995) and, thus, we address this call. In particular, many Korean companies have made significant inroads into the global market, driven by their aggressive international marketing efforts. These developments have made it essential for Korean manufacturers to improve their branding strategies for international markets. It is noteworthy that some Korean firms have been successful in establishing their brands globally (e.g., Samsung, Hyundai, and LG). Thus, examining the international branding practices of Korean firms could help fill the identified research gap in international marketing literature.

Moreover, consistent with the contingency perspective, this study examines sets of organizational characteristics and global market environment variables that influence a firm's branding strategy across national markets. For firms venturing into foreign markets, an important aspect of their branding strategy is deciding on the decision regarding the extent to which their brands might be localized or standardized across national markets (Liu et al. 2016). If the firm is still relatively small and lacks experience in operating in foreign markets, one would expect a general tendency to extend domestic brands to foreign markets (Cavusgil et al. 1993). However, when the home market environment is vastly different (e.g., in terms of language), brand identity should be expected to receive greater attention. Furthermore, as firms gain greater familiarity with foreign markets and amass international experience, the localizing of international brands and local branding become viable options (Barron and Hollingshead 2004; Van Gelder 2005). Thus, this study proposes that the extent of brand localization is influenced by various firm- and market-related contingencies.

The remainder of this paper is organized as follows: Section 2 reviews relevant literature, providing a conceptual background for the study. Then, the hypotheses are developed in Sect. 3. The methodology used in the study is discussed in Sect. 4, including the process of data collection process and the testing of the hypotheses. Section 5 presents the results of the analysis, which are then discussed in Sect. 6. Finally, Sect. 7 concludes the paper, including the theoretical and managerial implications of our findings, limitations of the study, and possible directions for future research.

2 Conceptual background

2.1 International branding

Brands help to summarize the benefits and attributes of a firm's offerings, as well as to distinguish and differentiate these offerings in their respective categories (Chun et al. 2014; Choi et al. 2015). Customers tend to use brands as summary cues and, therefore, it is critical that foreign customers understand, accept, and relate to brands with which they come in contact (De Chernatony and McWilliam 1989; Dawar and Parker 1994; Lee et al. 2011). Upon entering international markets, a firm is faced with ‘foreign’ customers and, often, heterogeneous market environments, in which its brands have to compete against various endogenous and foreign brands (Cheng et al. 2005). Thus, an appropriate brand for international markets can offer significant competitive advantages.

In this context, recent publications demonstrate a growing interest in exploring the international dimension of branding and its management. For one thing, a stream of research dealing with the management of global brands has evolved (e.g., Johansson and Ronkainen 2004; Van Gelder 2005). Assisted by the growth of global brands from developed countries, the emphasis is placed on examining how to manage these brands effectively in the global market. For instance, Douglas et al. (2001) present a framework for developing and managing brand architecture on a global scale. Another group of researchers has dealt with the measurement of brand equity in global markets. Given the multi-country environment in which global brands are managed, the focus has been on how to measure brand equity effectively by employing a set of criteria to capture the global dimension (Hsieh 2004). In this regard, a few recent studies have examined the influence of brand globalization on consumer perceptions and attitudes (e.g., Steenkamp et al. 2003; Samiee et al. 2005).

In this study, we draw on the definition of a brand and its elements proposed by Keller (2003). Accordingly, a brand is defined as those ‘trademarkable devices’ that serve to identify and differentiate the brand. A brand can be manifested in the form of various brand elements, including brand names, logos, symbols, slogans, packaging, URLs, characters, spokespersons, and jingles. The role and importance of these elements for a company’s branding strategy are succinctly described by Keller (2003) as follows:

> Brand elements can be chosen to enhance brand awareness; facilitate the formation of strong, favorable, and unique brand associations; or elicit positive brand judgments and feelings (p. 175).

Decisions on whether to localize a firm’s branding strategy necessarily involve managing of the core brand elements across borders (Bahadir et al. 2015). For instance, the choice of a brand name constitutes a major decision for any firm, both when it is first marketed domestically and when contemplating international market entry. In particular, whether a firm encounters the number of different languages when internationalizing a brand name may influence the degree of variation (Alashban et al. 2002). As a result of potential difficulties with pronunciation, meaning or translation, and phonetic sounds of a brand name, firms may need to change these brand names in foreign markets. For example, most Korean companies use Korean brand names locally, but change these brand names to English, or other local languages, in host countries. They usually change their brand name such that it has the same meaning or similar pronunciation. For instance, LG Chemical, a Korean chemical company, uses the brand name *LG Haw Hak* in Korea. Then, as shown in Fig. 1, LG Chemical uses the different brand names that convey the same meaning in host countries. On the other hand, Sulbing, a Korean desert café, retains the pronunciation of its brand name, but presents the brand name in different languages.

Given the diversity in market environments across countries, the decision regarding brand name standardization constitutes one of the most important marketing decisions (Yip 1997; Alashban et al. 2002; Francis et al. 2002). The standardization of brand names is often viewed as a necessary step in a firm's globalization drive (Yip 1992; Yip et al. 1997). Further, whether to maintain its brand image/positioning in a uniform fashion globally or to adapt its brand image/positioning to each national market can have significant ramifications for a firm's overall international marketing strategy (Roth 1992, 1995; Alden et al. 1999; Hsieh 2002; Hofer 2015). Given the presence of heterogeneous market environments that are unique to each country, the extent to which a firm localizes each element of its brand deserves careful consideration (cf. Theodosiou and Katsikeas 2001).

2.2 Localization–standardization of branding strategy in international markets

Maintaining an effective branding strategy is particularly important in the growingly competitive international markets (Francis et al. 2002). Brands targeting multiple market segments may increase revenue by adapting to the specific needs of each segment, while maintaining or increasing price (Alashban et al. 2002). In international markets, a firm's branding strategy plays an important role in integrating the firm's activities worldwide (Douglas et al. 2001). An essential component of an international marketing strategy concerns whether, and to what extent marketing programs are standardized or localized across national markets (Altuntas and Turker 2015).

Much of the published research on international marketing strategy has centered on the debate surrounding strategy standardization versus localization (Schmid and Kotulla 2011). The formal debate on localization–standardization has been ongoing for nearly five decades (Ryans et al. 2003; Samiee et al. 2003) with diametrically

Fig. 1 Examples of brand localization

opposing views and conflicting empirical findings regarding what constitutes an appropriate strategy (Katsikeas et al. 2006). With respect to branding, there is no consensus among scholars or practitioners as to what constitutes an international brand, and at what stage of a brands' international development and under what conditions an international brand becomes global (Johansson and Ronkainen 2004; Van Gelder 2005; Fastoso and Whitelock 2007). In general, there is a dearth of empirical research dealing with international branding. However, the broader literature on international marketing standardization typically incorporates brand as one of the several items that comprise the product and service construct. However, this approach invariably stops short of examining the attributes of a brand.

Over the past decade, there has been a renewed research interest in brand management in the global marketplace. We, thus, build upon the rich theoretical basis in the literature to extend the localization–standardization agenda to the specific domain of brand management. Consistent with the dominant theoretical perspectives in the international marketing literature, we take a contingency approach toward brand localization in overseas markets (Jain 1989; Samiee and Roth 1992; Roth 1995; Calantone et al. 2004). The emphasis is placed on identifying crucial firm-related and environmental variables associated with the localization of a branding strategy in the international market (cf. Theodosiou and Katsikeas 2001; Alashban et al. 2002; Samiee et al. 2003).

Contingency-based conceptualization is also consistent with the general theoretical perspective adopted in the marketing localization literature over the past few decades (Jain 1989; Zou and Stan 1998; Alashban et al. 2002; Katsikeas et al. 2006; Schmid and Kotulla 2011; Tan and Sousa 2013). Further, the structure–conduct–performance (SCP) paradigm has long been considered the most dominant theoretical perspective adopted in the international marketing literature in general (Cavusgil and Zou 1994; Douglas and Craig 2006; Kotabe and Helsen 2009; Whitelock and Fastoso 2011; Chabowski et al. 2013). Typically, a set of firm-internal and -external variables are proposed to have an impact on a firm's localization strategy, which, in turn, influence organizational performance. For instance, Katsikeas et al. (2006) developed a conceptual model highlighting the role of micro- and macro-environmental contingencies on marketing localization. Further, Cavusgil and Zou (1994) proposed a 'comprehensive' conceptual framework delineating the relationship between various firm-internal and -external environmental variables and marketing localization variables.

Drawing upon previous contingency-based research (e.g., Samiee and Roth 1992; O'Donnell and Jeong 2000; Alashban et al. 2002; Schmid and Kotulla 2011; Tan and Sousa 2013), we identify a set of crucial contingency variables that have repeatedly been emphasized as important. As shown in Fig. 2, five variables are hypothesized as determinants of brand localization: degree of internationalization, R&D intensity, firm size, market similarity, and market uncertainty. Consistent with the contingency-based perspective in the international marketing localization literature, both organizational characteristics and market environmental factors are posited to influence the extent to which branding strategy is localized in international markets.

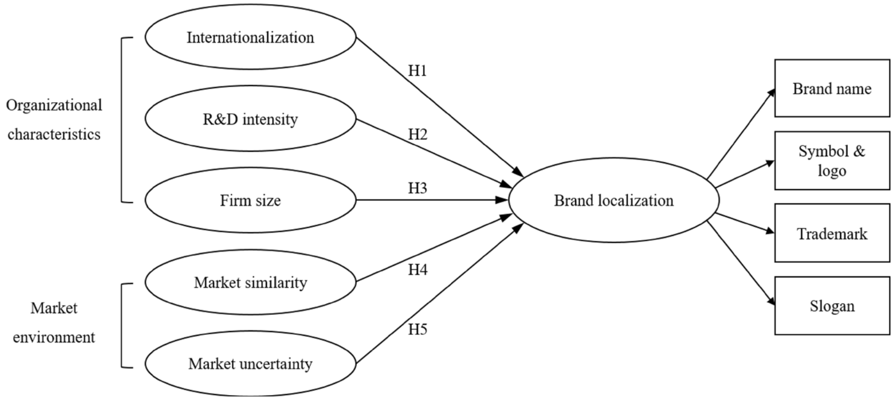

Fig. 2 Conceptual framework

3 Hypotheses development

In general, the international business literature has long embraced a gradual or stepwise internationalization process in firms. The Uppsala school, for instance, argues that firms tend to increase their overseas involvement gradually as they accumulate knowledge and experience about foreign markets (e.g., Johanson and Vahlne 1977). With a growing level of international involvement, a firm will be able to accumulate greater marketing knowledge and experience regarding the international markets (Jeong 2003). Depending upon their degree of internationalization, firms would adopt different marketing strategies in foreign markets (Andrus and Norvell 1990; Pla-Barber et al. 2011). Douglas and Craig (1989) found that the most experienced international firms are likely to seek global rationalization of their marketing operations, whereas the less experienced are unlikely to do so. Experienced international firms are more likely to identify strategic markets to enter, respond to changing global market environment, and take advantage of the differential comparative advantages of various countries (Zou and Cavusgil 2002). On the other hand, according to Tan and Sousa (2013)'s a meta analytic study of international marketing standardization, firms with more international experience usually prefer an adapted marketing strategy, as they have better knowledge of foreign markets (Wong and Merrilees 2008) and are more motivated to consider different strategies (Lages et al. 2008). It is a similar line with Cavusgil (1984)'s finding that as a firm progresses from an experimental stage of internationalization toward more advanced stages, the degree of marketing localization tends to vary. More specifically, 'active' and 'committed' firms were found to engage in a greater degree of localization than in the case of their less experienced and less active counterparts.

Based on these perspectives, it can be postulated that a firm's degree of internationalization would influence its branding strategy in foreign markets. That is, brand localization may result from an enhanced understanding of foreign markets (Onkvisit and Shaw 1989). An internationally inexperienced or less experienced firm may seek to match its domestic marketing mix with its overseas market environments (Chung 2005) so that a minimal localization of branding strategy is required (Douglas and Craig 1989). Firms that have accumulated more experience in international markets likely have a greater appreciation of the subtle differences between countries, and are more capable of responding to the idiosyncrasies of each market (Calantone et al. 2004). Thus, firms in a more advanced stage of internationalization are more likely to pursue customization of their branding strategies in international markets (cf., Douglas et al. 2001).

H1 The extent of brand localization is positively associated with the extent of a firm's internationalization.

Many firms consider innovativeness as important for building global brands, i.e., the ability of the organization to adopt or implement new ideas, processes, and products successfully. Erdogmus et al. (2010) argued that as this competence requires flexibility, openness to new ideas, tendency for change, and sensitivity to external environment, firms with a higher level of innovativeness are expected to have a greater inclination for adapting to local markets. However, Samiee and Roth (1992) reported that a localization strategy is less likely to be used in the high-technology industry. Their findings indicate that standardization of marketing programs is more suitable in technology-intensive situations. In past research, technological capability has been viewed as one of the key constructs explaining the international expansion of businesses (e.g., Kogut and Chang 1991; Sandler and Shani 1992; Chang 1995). High-technology products or services are both capital and research intensive, and tend to have short life cycles. As such, firms have a limited time to market their products or services before the next generation is introduced. These conditions essentially dictate a standardized marketing strategy (Samiee and Roth 1992). In addition, as firms with technological advantages are presumably able to develop superior products or services which cannot easily be copied or countered by competitors in the short run (Lee et al. 2012; Kang et al. 2014), they are better positioned to pursue a uniform marketing strategy across national markets. Driven by research and development, firms will be able to offer "innovations that can be aimed from the start at fairly homogeneous markets or segments thereof" worldwide (Boddewyn et al. 1986, p. 71). Building upon their research and development superiority, such firms can effectively employ a standardized branding strategy.

On the other hand, firms that are deficient in terms of advanced technologies may need to develop other sources of competitive advantage (Kennedy and Keeney 2009). When their products or services are not as superior as those offered by competitors, these firms will most likely to devise and implement specific strategies that are unique to each market, rather than pursue a uniform approach worldwide. In order to gain an advantage over rivals, these firms need to develop a branding strategy that 'precisely' matches local conditions (Boddewyn et al. 1986).

H2 The extent of brand localization is negatively associated with research and development intensity.

Firm size has not been a key focus of international marketing standardization studies (Theodosiou and Leonidou 2003). However, the literature asserts that localization strategies often demand greater financial resources (Whitelock and Pimblett 1997) and, therefore, are appropriate for large firms. Chung (2003) argued that resource superiority enables large firms to design a more customized marketing program in accordance with the needs of each market. On the other hand, he also stressed the opposite side that large firms are more likely to adopt a universal marketing planning and process procedure because this strategy helps them keep their competitive advantages over other multi-national enterprises (MNEs) and local market competitors. Although Chung (2003) proposed both sides of the argument, he found only the positive relationship between the extent of standardization of the marketing program and firm size. When host markets are perceived as being vastly different from a small firm's home base (e.g., Chung 2003: New Zealand and Australian firms in China), the firm is more likely to pursue a localization strategy.

Due to their sheer size, large firms will be in a better position to explore global markets, utilizing their relatively abundant human and financial resources (Liesch and Knight 1999). These firms can use such resources to gather global market intelligence and to develop capabilities to exploit opportunities in foreign markets. Given these advantages, large firms are more likely to pursue brand standardization, compared to their smaller counterparts. Larger firms with their more extensive international operations, resources, and experience are more apt to have developed their marketing plans with international markets in mind, potentially needing much less localization. Namely, larger firms are more likely to have initially researched, tested, and selected brands with greater global appeal.

On the other hand, relative to their larger counterparts, small firms are at a distinctive disadvantage in terms of organizational resources (Wolff and Pett 2000). In general, these firms are known to have informal planning and control systems, insufficiently developed administrative procedures, and unsystematic, often non-rational decision-making processes (Coviello et al. 2000). Their resource constraints and capacity limitations make it harder for these firms to compete with well-known larger firms (Liesch and Knight 1999; Yip et al. 2000). However, their flexibility means small firms could modify their brand strategies for local conditions and match local needs more quickly than larger firms could. In terms of branding, small firms are thus likely to pursue localization and could engage a comparative advantage in local familiarity.

H3 The extent of brand localization is negatively associated with firm size.

In general, the studies favoring marketing strategy localization point an absence of strategic fit, particularly with respect to the varied marketing environments, infrastructures, and consumer idiosyncrasies (Whitelock and Pimblett 1997). Previous studies suggest that international market characteristics influence a firm's decision concerning the extent to which its branding strategy is localized (Onkvisit and Shaw 1989; Roth 1992, 1995; Littler and Schlieper 1995; Alashban et al. 2002). When a firm targets a global market segment with relatively homogeneous needs and wants across borders, globally standardized brands provide effective means of establishing a distinctive global identity (Samiee and Roth 1992; Douglas et al.

2001). The presence of a “global consumer culture” (Alden et al. 1999), for instance, may encourage a firm to adopt a more standardized approach to branding across national borders. When customer and socioeconomic variations across markets are high, however, firms are more likely to adopt a localized branding strategy (Littler and Schlieper 1995).

Similarly, Boddewyn et al. (1986) report that competition is the most significant hurdle in standardizing a marketing mix. The nature of the competitive environment in overseas markets has been reported as a critical factor in deciding whether to standardize or localize packaging and labeling worldwide (Katsikeas et al. 2006; Khan et al. 2015). When faced with a diverse range of competitors and competitive environments across markets, a firm may opt to localize its branding strategy. The presence of a unique competitive situation in a local market may necessitate the firm to tailor its branding strategy in order to closely match local demand (Jain 1989; De Chernatony et al. 1995; Littler and Schlieper 1995; Alashban et al. 2002). Put differently, the firm faces greater pressure to address specific local competitive threats and, hence, adapt its brand and other marketing mix elements in order to achieve an advantage over competitors (Still and Hill 1984; Samiee et al. 2003). However, the presence of a relatively uniform competitive level across countries is likely to prompt the firm to standardize its branding policy (Katsikeas et al. 2006). Taken together, brand standardization is facilitated when market environments are similar in terms of customer characteristics and competition. On the other hand, localized branding is more likely when significant environmental differences exist between national markets.

H4 The extent of brand localization is negatively associated with market similarity.

“If the domestic business environment can be labeled uncertain, the international business environment is doubly so” (Mascarenhas 1982, p. 87). In international markets, firms are intrinsically exposed to far more diverse sources of environmental uncertainty, including technologies, customer demand, and competitive forces. The magnitude of uncertainty in the global market is expected to influence a firm’s decision on whether to localize its branding strategy (cf., Gielens and Dekimpe 2007). Under an uncertain market environment, it will be difficult for a firm to understand the demand trends for its products or services and to predict the types of new products/services and technologies its competitors are likely to introduce. Uncertain market environments are also characterized by rapid changes in technologies and customer preferences across the global market. Thus, when confronted with highly uncertain markets, firms find it difficult to adopt a brand standardization strategy and are not likely to deploy a ‘uniform’ branding approach worldwide. Instead, they adapt their branding policies to the specific conditions in individual local markets. When stable market conditions prevail, however, firms may opt to standardize their branding strategies across countries (Katsikeas et al. 2006). As the market situation is predictable in terms of changes in technologies, customer demand, and competitive practices, firms are in a better position to pursue a common branding policy across national markets.

H5 The extent of brand localization is positively associated with market uncertainty.

4 Method

4.1 Field interviews

There is a lack of conceptualization in international branding, and the absence of a measurement scale and empirical tests further complicate investigations (cf., Fastoso and Whitelock 2007). Thus, we first developed a measure of brand localization before examining the hypothesized effects of the five independent variables. Given the paucity of research with a sharp and detailed focus on international branding, we conducted qualitative field interviews in Korea. This procedure was necessary to provide a managerially relevant, field-based perspective regarding brand elements in the global marketplace.

Interviews were conducted with top executives and senior managers of six Korean exporters. As shown in Table 1, the companies interviewed represented a variety of industries and differed widely in terms of their size and location in Korea. Initial contact was established with the executive or manager designated as a contact person who, in turn, arranged interviews with qualified informants within each company. The length of the interviews ranged from one-and-a-half to 3 hours, with an average of 2 hours.

The interviews were open-ended and qualitative in nature, with the key objective of ensuring that the research team did not overlook significant elements of brand or drivers of brand localization. During the interviews, managers were asked to describe important aspects of his/her company's brand strategy for foreign markets. They were also asked to identify key components of brand that had been modified to

Table 1 Company profiles in field interviews

Company	Industry	Interviewees	Location
Company A	Home automation equipment	President	Seongnam
		Executive, international sales	
		Export manager	
Company B	Latex products	Executive, operations	Seoul
		Executive, sales	
		Marketing director	
Company C	Security devices	Executive, marketing	Bundang
Company D	Sport gear	Executive, marketing	Seoul
		Export director	
Company E	LCD monitors	Division general manager	Kumi
Company F	Textiles	Executive, international sales	Daegu

achieve the company's goals in international markets. Finally, the managers were asked to describe various 'internal' and 'external' factors which had more or less influenced the nature of their branding strategy in foreign markets.

The responses from all interviews were then compiled and compared. The following conclusions were drawn from the subsequent analysis of the information gathered through interviews. First, brand management is considered central to successful international marketing. Second, brand localization is viewed as desirable and, at times, necessary in foreign markets. At the same time, the extent of localization appears to vary widely across the brand components of the exporting firms interviewed. Third, a variety of brand components are subject to localization, as emphasized in the branding and international marketing literature. Finally, brand localization appears to be a function of various internal and market-related factors, the importance of which differ across companies.

4.2 Survey data

In order to explore the key antecedents of the extent of brand localization in international markets, our investigation focuses on firms actively engaged in international marketing activities. Inasmuch as the literature offers little coverage to the international branding approaches of non-Western MNCs, Korean firms were targeted for this investigation. The sampling frame was drawn from the membership directory of the Korea Trade-Investment Promotion Agency (KOTRA). Founded in 1962, KOTRA has been central in promoting international trade and investment activities among Korean businesses. The organization is highly regarded by both Korean firms and their trading partners in host markets. As of 2016, KOTRA maintains 126 offices in 86 countries. The agency is particularly well regarded in business circles for providing valuable market information and timely infrastructural support, such as international branding, to its members. The strength of the relationship between KOTRA and its members makes it an ideal medium through which to gather accurate data.

An e-mail survey method was employed to collect data. An e-mail-based survey was deemed appropriate because the agency maintains its official correspondence with its members through this medium. Each company has a designated director/manager (typically in charge of foreign sales), who serves as a contact person for all major correspondence with KOTRA. The survey asked respondents to focus on their primary foreign market with respect to the brand that generates the highest revenue.

A sample of 1500 companies was selected randomly from the KOTRA directory. KOTRA then e-mailed a cover letter describing the nature of the survey, along with the questionnaire, to all companies in the sample. Two follow-up mailings and multiple telephone contacts yielded 232 responses (a response rate of 15.5%). The key organizational characteristics of the sample are shown in Table 2. A non-response bias was examined by comparing early and late respondents (Armstrong and Overton 1977).

Table 2 Sample characteristics

	Frequency (%)
Annual sales (in billions of Korean won)	
Below 2.5	87 (37.5)
2.5–5.0	46 (19.8)
5.1–10.0	38 (16.4)
10.1–100	47 (20.3)
Over 100	14 (6.0)
Ratio of foreign sales over total sales	
Below 10	52 (22.4)
11–30	48 (20.7)
31–60	47 (20.2)
61–80	41 (17.7)
Over 80	44 (19.0)
Ratio of R&D expenditure over total sales	
Below 5	82 (35.3)
5.0–10.0	57 (24.6)
10.1–20.0	52 (22.4)
20.1–40.0	33 (14.2)
Over 40	8 (3.5)

4.3 Survey instrument development

A double-translation protocol was used to prepare the questionnaire. The survey instrument was originally prepared in English and then translated into Korean by two academic specialists in both languages, both of whom have considerable research and working experience in Korea. Next, a back-translation process was employed, involving two different. A comparison of the two English questionnaires revealed considerable consistency, although minor amendments were made after being agreed upon by the translators. We pre-tested the instrument through 12 in-depth pilot interviews with knowledgeable Korean executives. The final version of the questionnaire incorporated several modifications suggested in the pre-tests. In summary, the literature review, detailed back-translation procedure, and in-depth discussion with managers during the pre-test interviews, enhance our confidence in the appropriateness of the instrument.

4.4 Measures

In this study, brand localization is defined as the extent to which firms localize the key elements of their brands in international markets. Consistent with the general perspectives prevalent in the marketing standardization literature, the focal concept constitutes a continuum of brand localization–standardization, rather than representing a dichotomy between the two extremes (Jain 1989; Samiee and Roth 1992). Drawing upon Keller's (2003) notion of "brand elements," we identified crucial elements of brands with respect to localization–standardization decisions across national markets. A thorough review of the literature, coupled with the information gathered through the field interviews resulted in an eight-item scale to capture the extent of brand localization. The components of the brand localization construct thus include brand name, symbol, logo, trademark, slogan, image, design, and positioning. This conceptualization of brand is in contrast to broader measures commonly used in the literature. Alashban et al. (2002), for example, used a single-item measure to assess the extent to which a firm's brands are shared across national boundaries. A number of studies examine the extent to which a brand is sold in markets abroad (e.g., Rosen et al. 1989). The latter group does not actually measure any aspect of brands per se, but uses the availability of a brand in markets abroad as the measure of brand standardization.

Next, three academic experts independently evaluated the preliminary pool of items. From a construct validity perspective, the objective of this procedure was to assess the content adequacy of the initial measure (i.e., content validity) (Nunnally 1978). The three experts all specialize in marketing and have a minimum of 10 years of academic experience. Specifically, they were asked (1) to evaluate the relevance and adequacy of the items included in the list, and (2) to suggest any additional items that should be included as a component of the brand localization construct.

Using the information supplied by the experts, three items (image, design, and positioning) were dropped, and two were merged into a single measure (symbol and logo). Thus, the final set comprised four brand elements: brand name, symbol and logo, trademark, and slogan. In the questionnaire, respondents were specifically asked to indicate the extent to which brand elements are localized in their primary international market. Each item was measured on a five-point scale, with a score of 1 indicating standardization and a score of 5 representing localization of a component representing the branding strategy. The internal consistency reliability of the measure was within an acceptable range ($\alpha = 0.872$).

Based on our hypotheses, five internal and external independent variables were used as predictors of brand localization. The degree of internationalization of firms was measured as the ratio of foreign sales to total sales, and firm size was measured using the number of employees (Sullivan 1994; Gomes and Ramaswamy 1999; Jeong 2003). As per Hitt et al. (1997), R&D intensity was measured as the ratio of R&D expenditure to total sales.

Market similarity captures the extent to which national markets are similar in terms of key environmental characteristics. Similarity across home and host markets was measured using three items, as per Samiee and Roth (1992) and O'Donnell and Jeong (2000). For each environmental dimension, survey respondents were asked to evaluate the extent of market similarity across their foreign markets, within the specific context of their respective industry. As shown in Appendix 1, market similarity was measured along three dimensions: (1) buyer/customer needs are similar across our markets; (2) competitive practices are similar across our markets; and (3) distribution infrastructures are similar in countries in which we are active. The internal consistency reliability of the measure for market similarity was within an acceptable range ($\alpha = 0.771$). Market uncertainty is defined as the extent of uncertainty inherent in the international markets in which the firm competes. This construct was composed of three items. Drawing upon previous studies, each of the three items was measured on a five-point Likert-type scale (Samiee and Roth 1992; Samiee et al. 2003): (1) rapid changes in technological development; (2) rapid changes in customer preferences; and (3) intense competition in product/technology development. The internal consistency reliability of the measure for market uncertainty was within an acceptable range ($\alpha = 0.758$). The measures used in this study are shown in Table 6 in Appendix.

4.5 Measure validation

Construct validity was assessed through confirmatory factor analysis (CFA) using the maximum likelihood estimation procedure. The χ^2 for the model was significant ($\chi^2 = 71.450$, $df = 53$, $p < 0.05$), which is expected because of the sensitivity to large sample sizes. The comparative fit index (CFI) of 0.981, normed fit index (NFI) of 0.934, incremental fit index (IFI) of 0.982, Tucker–Lewis index (TLI) of 0.968, and root mean square error of approximation (RMSEA) of 0.039 met recommended thresholds, suggesting good model fit. The results of the measurement model appear in Table 3.

Convergent validity is evidenced by the high and significant standardized factor loading for each item on its predetermined construct; standard factor loadings

Table 3 Measurement model results

	Parameter estimates	Standardized estimates	Standard error	C.R.	Composite reliability	Average variance extracted
Internationalization	0.894					
R&D intensity	0.894					
Firm size	0.894					
Market similarity					0.769	0.545
MS1	1.107	0.645	0.133	8.443***		
MS2	1.259	0.850	0.149	8.322***		
MS3	1.000	0.704	–			
Market uncertainty					0.734	0.512
MU1	0.914	0.689	0.127			
MU2	1.037	0.738	0.144			
MU3	1.000	0.719	–			
Brand localization					0.896	0.658
Brand name	0.848	0.701	0.064	13.285***		
Symbol and logo	1.050	0.954	0.045	23.129***		
Trademark	1.000	0.923	–			
Slogan	0.643	0.615	0.059	10.867***		

***$p < 0.001$

ranged from 0.615 to 0.954. As further evidence of convergent validity, the average variance extracted for each construct exceeds 0.5 for all constructs. Discriminant validity was assessed with the procedure suggested by Fornell and Larcker (1981). Specifically, discriminant validity exists when the variance shared between two latent constructs (i.e., the square of their inter-correlation) is inferior to the average variance extracted of the items forming the constructs. The correlation matrix in Table 4 shows that the average variance extracted for each construct was larger than its shared variance with any other construct in the model, implying discriminant validity. Taken together, these results indicated that the measures used in this study possessed adequate reliability and validity. Table 4 shows the descriptive statistics for the variables utilized in this study, including the means, standard deviations, and Pearson correlations.

5 Results

The hypotheses posited in our conceptual framework were tested using a structural equation model. This study used the natural logarithm of internationalization, firm size, and R&D intensity in the model. The standardized parameter estimates, t-values, and significance levels for the structural paths are shown in Fig. 3 and Table 4. Overall, the fit indices for the structural model ($\chi^2_{(53)} = 71.45$, $p < 0.05$; CFI = 0.98; NFI = 0.93; IFI = 0.98; TLI = 0.97; and RMSEA = 0.04) suggested a good fit to the data. For organizational characteristics, **H1**, which hypothesized a positive relationship between the degree of internationalization and brand localization, was supported ($\beta = 0.130$, $p < 0.05$). Because of their ability to recognize different market conditions and respond to the idiosyncrasies of each market, firms with international experience are likely to adapt their branding strategies to suit local conditions. Moreover, **H2** posited a negative relationship between R&D intensity and brand localization; this hypothesis was supported ($\beta = -0.170$, $p < 0.05$). Because products or services in high-technology industries tend to be offered in homogeneous markets or worldwide segments, these firms are more likely to

Table 4 Measurement statistics and inter-construct correlation

	Mean	S.D.	1	2	3	4	5
Internationalization[a]	3.45	1.04					
R&D intensity[a]	2.29	0.86	0.071				
Firm size[a]	3.47	1.43	− 0.056	− 0.186**			
Market similarity	3.18	0.86	− 0.010	− 0.004	0.051		
Market uncertainty	3.51	0.84	0.062	0.224**	0.097	0.017	
Brand localization	2.09	1.05	0.147*	− 0.061	− 0.148*	− 0.158*	0.087

[a]Natural logarithm

*$p < 0.05$; **$p < 0.01$

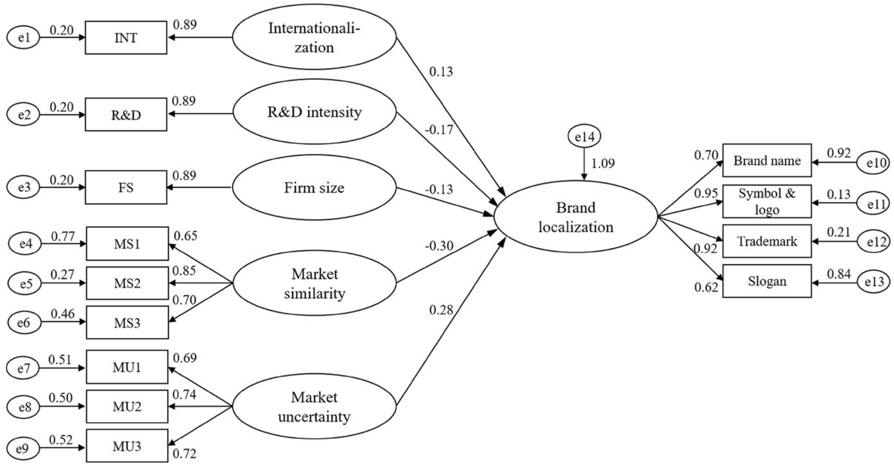

Fig. 3 Results of structural equation model

pursue a uniform branding strategy in international markets rather than localized strategies in each market. In addition, a negative relationship was posited between firm size and brand localization in **H3**, with the expectation that smaller firms are more likely to localize brands in foreign markets. This relationship was significant ($\beta = -0.128$, $p < 0.01$), and the direction of the coefficient favored brand localization by smaller firms. While larger firms tend to pursue a marketing strategy with greater global appeal, smaller firms are more likely to utilize their comparative advantage of flexibility to modify their branding strategy to match local needs (Table 5).

With regard to the market environment, **H4** addressed the effect of market similarity on a branding strategy, and this relationship was significant ($\beta = -0.303$, $p < 0.05$). Firms that face various customer needs and socioeconomic issues across national borders are more likely to pursue a localized branding strategy, whereas global consumer needs and homogeneous market conditions might encourage firms to adopt a more standardized branding strategy in international markets. Finally, **H5** posited greater brand localization in markets characterized by greater uncertainty, and this relationship was significant ($\beta = 0.279$, $p < 0.05$). In such a market environment, firms tend to adapt their branding strategy to the specific conditions in each local market.

Therefore, both market conditions and organizational characteristics tend to lead to brand localization. It is noteworthy that the influence of the independent measures in the model, that is, internationalization, R&D intensity, firm size, market similarity, and market uncertainty upon brand localization are important. As predicted, internationalization and market uncertainty had a positive influence on brand localization, whereas the remaining factors had negative impacts.

Table 5 Results of structural equation model

	Standardized coefficient	*t* value	*p* value
Organizational characteristics			
Internationalization	0.130	2.058	0.040
R&D intensity	− 0.170	− 2.052	0.040
Firm size	− 0.128	− 2.693	0.007
Market environment			
Market similarity	− 0.303	− 2.492	0.013
Market uncertainty	0.279	2.318	0.020
Fit Indexes			
$\chi^2_{(53)}$ = 71.45, $p < 0.05$; CFI = 0.98; NFI = 0.93; IFI = 0.98; TLI = 0.97; and RMSEA = 0.04			

6 Discussion

Our objective in this study was to examine the antecedents of brand localization. We leveraged studies on international marketing localization–standardization, coupled with field interviews, and proposed a set of antecedents to brand localization. Following Keller (2003), brand localization–standardization was measured at the brand component level. Respondents assessed the extent of localization of each of the four brand components representing their brands. This is in sharp contrast to the traditional treatment of brand in the international marketing localization literature, in which a single-item measure of brand or branding is one of the several dimensions pertaining to, typically, the product-related standardization construct (e.g., Winit et al. 2014; Fetscherin et al. 2015; Hofer 2015). In addition, we used Korean firms as the context for our research because, despite Korean firms becoming increasingly active in the international marketplace, few studies have examined their branding activities (cf. Cheng et al. 2005).

Our findings generally supported the applicability of the proposed drivers of brand localization for Korean firms. In particular, despite being a pivotal component of globalization, branding has received insufficient attention in non-Western contexts (Whitelock and Fastoso 2007). Using data from Korean firms, we examined the effect of organizational and environmental characteristics on brand localization. The results indicated that the extent of brand localization is influenced by various firm- and market-related contingencies, with different effects.

First, as hypothesized, the extent of company internationalization was positively associated with brand localization. Firms with international experience tend to localize their brands for the specific contexts in foreign markets. Firms that have more international experience are more likely to pursue an adapted marketing strategy because they have better knowledge of foreign markets (Wong and Merrilees 2008) and are more motivated to consider different strategies in each national border (Lages et al. 2008). This finding is consistent with that reported by Chung (2005) with regard to standardization in the EU, as well as with the broader assertions in the international marketing standardization literature (e.g., Zou and Cavusgil 2002; Calantone et al. 2004).

Second, we found that R&D intensity is negatively related to brand localization. R&D investments lead to innovation, which can be short-lived (e.g., for high-technology products) and offer firms a relatively short window of opportunity in which to capture a sufficiently large portion of the global market to recoup their investment in R&D (cf., Samiee and Roth 1992). In such cases, R&D-generated innovations tend to offer strong market positions for the firm. In contrast, firms that are less reliant on such innovations must compete on a different basis, and localizing their brands provides an important way to get closer to customers in the host markets.

Third, our results indicated that firm size is also negatively related to brand localization. As expected, larger firms tended to standardize their brands in international markets, whereas their smaller counterparts were more likely to pursue localization. Several researchers have argued that firm size has a positive relationship with marketing standardization (Tan and Sousa 2013). With their greater advantage of economies of scale and less flexible structures, larger firms are more likely to adopt standardized marketing strategies in foreign markets than marketing localization (Schilke et al. 2009). Yip (1992, 1997) indicates that globalization is dependent on standardization, which is more common in larger firms. This finding is consistent with larger firms' desire to reach more markets as efficiently as possible.

Finally, the local market environment is an important determinant of a firm's brand localization. In contrast to Alashban et al. (2002) who were unable to support their proposition regarding the connection between brand standardization and the market environment, our results indicate that similarities across markets motivates greater standardization. These include similarities in the economic/political/legal conditions, marketing infrastructure, consumer conditions, and competitive conditions between the home and target markets (Tan and Sousa 2013). Similar environments indicate homogeneous demand in the home and host markets, thus increasing the feasibility of a standardized marketing strategy (Jain 1989; Sousa and Bradley 2006; Chung 2009). Moreover, with greater certainty across markets, firms are more likely to use standardized brands. When market uncertainty increases, firms tend to pursue a brand localization strategy.

7 Conclusion

Although the volume of research on marketing standardization is quite large, no effort has been expended to measure brand localization using its various components. This study contributes to the extant literature by taking a different approach to examining brand localization–standardization. First, as predicated in prior branding literature (e.g., Keller 2003), we examined brand localization with respect to each of four building blocks that represent a brand. Second, in contrast to much of the literature that focuses on the strategies of U.S.-based or European MNCs, this study contributes to the literature by virtue of its focus on firms based in an Asian market. An increasing number of firms based in Asian newly industrialized countries (NICs) and other emerging economies are engaging extensively in international marketing, but their marketing activities have received inadequate empirical coverage in the literature. Empirical research on the international branding practices of firms in NICs is even less common (e.g., Cheng et al. 2005).

7.1 Theoretical and managerial implications

Consistent with the dominant theoretical perspectives in the international marketing literature (Cavusgil and Zou 1994; Douglas and Craig 2006; Katsikeas et al. 2006; Kotabe and Helsen 2009; Whitelock and Fastoso 2011), this study takes a contingency approach toward 'brand' localization in foreign markets. To meet the main object of this research, we classified the determinants of brand localization into firm-internal factors, including the degree of internationalization, R&D intensity, and firm size, and external environmental factors, including market similarity and market uncertainty. Based on the contingency approach, this study provides a broad conceptual framework that delineates the relationships between organizational characteristics and market environmental factors, and brand localization in international markets. Furthermore, this approach shows that internal and external situational factors and their actual influence on managers' strategic decision-making have to be considered in order to understand how and why brand localization decisions are taken in foreign markets.

This study suggests effective ways for managers to make brand localization decisions to allocate resources available to reach a position to match its internal and external environment. Consistent with several studies that consider the importance of strategy-environment co-alignment (Cavusgil and Zou 1994; Tan and Sousa 2013), strategic fit between brand localization and its context, whether organizational characteristics or the external environment, has significant implications for firm performance in international markets. Firms with greater international experience and/or less R&D-intensive firms are more suite to implementing brand localization, and this brand strategy could have greater synergistic effects on their performance in foreign markets. On the other hand, when the firms encounter a high level of market diversity and market uncertainty in foreign markets, brand localization might be an effective way to handle these conditions.

In particular, larger firms tend to possess extensive knowledge of marketing within and across markets, and are often drivers of standardization. Smaller firms, in contrast, may initially enter export markets by extending their domestic products and brands (Boddewyn and Grosse 1995); however, as they gain experience and a foothold in these markets, they tend to localize brands as a competitive tool vis-à-vis their larger local and global counterparts that tend to use a more standardized approach (Chung 2003). Smaller firms that have international experience may focus on just a limited number of national markets and concentrate their limited resources on selective markets (Liesch and Knight 1999). They may also attempt to circumvent the intense competitive rivalry by larger local and international firms' brands by targeting niche segments (Chung 2003). In such circumstances, these firms may opt to tailor their products and brands to the specific needs of each national market. In case of small firms, therefore, brand localization may provide a means of survival in international markets. On the other hand, larger firms are in a better position to pursue marketing efficiency on a global basis (Liesch and Knight 1999). Given their abundant resources and superior marketing capability, they are better positioned to develop and implement standardized brands across markets.

7.2 Limitations and future research

Despite the theoretical and managerial implications provided here, this study has several limitations that suggest possible avenues for future research. Given the nature of this research, the variables selected for the investigation were limited to critical components derived from branding and localization literature as well as those from our field interviews. Future research should incorporate the following: a top-management orientation, such as the ethnocentric, polycentric, and geocentric views proposed by Perlmutter (1969) and the global, multi-domestic, or market extensions of Toyne and Walters (1989); the firm's overall view of international activities (i.e., the strategy actually implemented in international markets); and the consequences for performance of international branding strategies. Moreover, a dynamic examination of firms' proclivity to pursue standardization is required. Thus far, the literature lacks solid evidence of whether firms pursue localization or standardization as they develop and expand internationally. In this regard, we offer only a glimpse of what might be occurring with regard to brands whereby smaller firms appear to be more willing to localize their brands than their larger counterparts.

Furthermore, in contrast to other components of the marketing plan, a better understanding of the relative role of brand in the marketing strategies of firms across markets offers valuable insights regarding how firms view and implement strategies. In general, brand-related research has lacked a strong theoretical grounding which, in turn, has impeded progress in this area. Developments along this dimension will surely go a long way in more firmly establishing this area of inquiry. Additionally, future research could consider different industries as a determinant of brand localization. Products for which demand is relatively homogeneous worldwide are likely to be prime candidates for standardized branding (O'Donnell and Jeong 2000; Douglas et al. 2001; Chung 2003; Agudo-Peregrina et al. 2014). On the other hand, products that are embedded within a culture—such as food or apparel—are more likely to thrive as localized brands (Alden et al. 1999; Douglas et al. 2001). Thus, further research might consider different industry types in order to identify the extent of brand localization across industries. Moreover, further studies need to consider effects of brand localization on business performance. Performance variables can be regarded as central constructs in the current scholarly discussion on standardization versus localization in international marketing (Schmid and Kotulla 2011). Therefore, research on the relationship between localization or standardization of branding and performance in international markets may lead to an important expansion of international branding research. Finally, more research is needed to shed light on more current international branding practices of firms (i.e., up-to-date replications of earlier studies on the international use of brands), particularly with respect to the activities of firms and MNCs based in other NICs and emerging markets in Asia, Latin America, and Central and Eastern Europe.

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Appendix

See Table 6.

Table 6 Measures of constructs

	Mean	Standard deviation
Brand localization		
The extent to which your corporate brand strategies differ between domestic and export markets;		
Five-point Likert-type scale, anchored by "Very similar" and "Very different" (Keller 2003)		
Brand name	2.15	1.34
Symbol and logo	2.03	1.23
Trademark	1.97	1.21
Slogan	2.23	1.17
Internationalization		
The ratio of export sales to total sales (Gomes and Ramaswamy 1999; Jeong 2003; Sullivan 1994)	46.81	32.97
Firm size		
The number of employees	154.67	586.59
R&D intensity		
The ratio of R&D expenditure to total sales (Hitt, Hoskisson, and Kim 1997)	14.19	13.39
Market similarity		
Five-point Likert-type scale, anchored by "Strongly disagree" and "Strongly agree" (O'Donnell and Jeong 2000; Samiee and Roth 1992)		
MS1. Buyer/customer needs are similar across our markets	3.19	1.15
MS2. Competitive practices are similar across our markets	3.31	0.99
MS3. Distribution infrastructures are similar in countries	3.03	0.95
Market uncertainty		
Five-point Likert-type scale, anchored by "Strongly disagree" and "Strongly agree" (O'Donnell and Jeong 2000; Samiee and Roth 1992)		
MU1. Rapid changes in technological developments	3.32	0.99
MU2. Rapid changes in customer preferences	3.32	1.05
MU3. Intense competition in product/technology development	3.89	1.04

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