FROM DICHOTOMY TO OVERLAPPING SCENARIOS.

- A Redefinition of the Strategies of Local Adaptation and Global Standardization.

By Simon Kragh

SUMMARY

The paper critically examines the dichotomy of local adaptation versus global standardization and suggests an operational model which is free of some of the inherent ambiguities of the traditional dichotomy. It is argued that the division into two mutually exclusive categories of strategic alternatives causes inconsistency. As an alternative to the dichotomy, it is suggested that the strategic alternatives should instead be viewed as a number of different, overlapping scenarios. Reebok’s advertising campaign "Planet Reebok” in the US, France Germany and UK, and the international pricing of ”the Big Mac” in 34 countries serve as empirical examples illustrating the argument.

INTRODUCTION

During the 1980’s and the 90’s, large multinational corporations like McDonald’s, Procter and Gambles, Levi’s and Coca Cola were heralded as the the champions of global standardization. At the turn of the century things have changed. The new management of Coca Cola now declares that the company should follow a strategy of localization, just as it has become commonplace to refer to the fact that Mc Donald’s actually modify their products in order to satisfy local tastes and religions.

But what does local adaptation and global standardization actually mean? Even though a large number of papers has been devoted to the subject, the content of the concepts is not at all clear. In a comprehensive review of the litterature on standardization and adaptation in advertising, Onkvisit and Shaw (1987) conclude that better definitions are needed as a precondition for sound scientific analysis of the subject; and in a later paper, Samiee and Roth (1992) comment that there is no consensus among scholars about what constitutes a standardized marketing programme or process, and that ”operational definition of the standardization construct remains a challenge to researchers”.
It has been observed that the papers on adaptation and standardization typically are conceptual, and that more empirical research is needed to find out how much, under what conditions and why companies tend to standardize or adapt their international marketing (Boddewyn, Soehl and Picard 1986; Samiee and Roth 1992; Cavusgil, Zou, Naidu 1993). While there can be no doubt that more empirical research certainly is needed, there is also a need for conceptual and theoretical clarification and development. As long as the concepts that are supposed to guide empirical research are ambiguous, it can be supposed that the answers to empirical questions also will be ambiguous.

The question of whether companies should adapt to the local conditions or standardize plays a central role as a strategic frame of reference in international marketing. The present paper suggests that the dichotomy is too simple to serve as an adequate strategic notion. In essence, we should not look at the strategic alternatives as a dichotomy, but rather as a number of different, interrelated scenarios.

There are strategic situations which the dichotomy does describe very well, as e.g. when a company adapts its marketing in order to achieve a similar or identical response across countries. How should such a combination be classified according to the dichotomy of adaptation versus standardization? Companies often actively seek identical responses and differentiate their marketing for this reason, but it is difficult to fit such a combination of differentiation and standardization of responses into the traditional pair of concepts because such a strategy rightly consists of adaptation of the sender’s message and standardization of the message as it is understood by the receiver.

OVERLAPPING SCENARIOS

Taken on its own, the concept of local adaptation is unambiguous. It refers e.g. to multinational companies that develop different versions of their marketing variables suit local markets. The ambiguities appear when global standardization is defined in opposition to local adaptation. Take a look at the strategy of standardization. Standardization implies not one, but at least three different strategic notions, two of which overlap with local adaptation.
the first place, when companies respond to transnational similarities, they follow a strategy of global standardization. This is the strategy proposed by Levitt (1995) who claims that markets are converging and that companies can obtain benefits of scale by addressing these trends with global, standardized products. A closely related view takes a more narrow view on global standardization, claiming that even if it is doubtful that markets are converging, there are transnational, similar segments that may be targeted with similar, standardized products (Thorelli and Becker, 1980; Day, 1990; Baalbaki, 1993; Jain, 1996).

Global standardization is not necessarily market driven. Companies may also pursue standardization in spite of market differences. This approach defies the commonly accepted notion that companies should be market oriented, and when authors who advocate local adaptation discuss it, the tone is often highly critical (e.g. Sorensen and Wiechmann, 1973).

Nevertheless, empirical research indicates that many companies do market standardized products irrespectively of the fact that they operate in different markets. Sorensen and Wiechmann (1975) thus found that 34% of the managers interviewed about their product strategy said that they standardized even though they were aware that usage patterns and other market conditions were different from market to market.

Other research into US companies’ marketing in culturally and economically different markets also indicate that companies standardize in spite of differences (Walters, 1986). According to Aydin and Terpstra (1981), 46% of US companies that exported to Turkey reported standardized products; Hill and Still (1984) found that 10% of the investigated companies exporting to LDC’s standardized, and in Kacker’s (1972) study of US companies exports to India, 55 % standardized. On the basis of a survey of 71 US companies’ export to the European Common Market, Boodewyn, Soehl and Picard (1986) reported that approximately a quarter of the companies transferred products developed for the US market unmodified to Europa, while 13% to 25% of the companies reported very substantial standardization of advertising in all 10 EEC countries. Cavusgil, Zou and Naidu (1993) have also observed that a number of companies in the initial stages of their market engagement did not adapt to the local market conditions, attributing the behaviour to a lack of export experience.
The difference between local adaptation and global standardization thus covers more than a simple dichotomy. The only unambiguous difference between the two notions is the use of a differentiated marketing output in the case of local adaptation and a standardized output in the case of global standardization. But it does not appear from the dichotomy that global standardization, like local adaptation, is a strategy which may be both market sensitive and take place in a context of different national markets.

When companies respond to global markets or market segments, they are no less market driven than companies which adapts to local markets. Paradoxical as it may seem, global standardization is not only a strategy of standardization, but also one of adaptation. Of course, it is a global and not a local adaptation, but this qualification does not play a significant role in the debate about the strategic alternatives. On the contrary, the dichotomy is usually abbreviated to the phrase ”standardization versus adaptation” which turns out as meaningless when it is considered that standardization may also be a strategy of adaptation. The paradox appears because the dichotomy divides the strategic alternatives into two mutually exclusive categories, ignoring the underlying similarities. When these similarities are brought up into the open, the paradox becomes evident.

The dichotomy also fails to take into account that global standardization in spite of market differences shares a common notion with local adaptation, namely the assumption that the markets in which the company operates are different. The dichotomy emphasizes the difference between the two notions, ignoring that they also may be seen as two related answers to the same marketing strategic problem, the existence of different local markets.

It may be argued that there exists a third strategic notion which must be taken into account, namely the possibility of transferring an unmodified marketing output to similar, national markets. In some cases, companies succeed in transferring products from their home market to other countries without prior market research because markets de facto are similar. In other cases, managers may attempt to transfer unmodified products without prior market research because they believe them to be similar, even though posterior experience may prove this assumption wrong. The latter approach is often termed ethnocentric and rests on the the assumption that what sells in the home market, also sells abroad (Wind, Douglas and
Perlmutter 1973). Empirical evidence suggests that ethnocentric companies change to local adaptation when they gain more experience and learn that the markets are (Cavusgil, Zou and Naidu 1993), but as long as they assume them to be similar, they may be said to follow a strategy of standardization in (supposed) similar markets. In contrast to the other two notions of global standardization, this third version is the opposite to local adaptation because it differs on all accounts, but to reduce global adaptation to this alternative would clearly be unacceptably reductive.

The way out of these theoretical weaknesses of the dichotomy is in the first place to recognize that the strategic alternatives cannot be adequately described by a simple dichotomy. Each strategic alternative requires a number of strategic decisions related to the marketing output, the market context and the overall strategic orientation which may relate it to or distinguish it from other configurations, cf table 1.

Table 1

<table>
<thead>
<tr>
<th></th>
<th>Marketing output</th>
<th>Market context</th>
<th>Strategic orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local adaptation</td>
<td>Different</td>
<td>Different</td>
<td>Market driven</td>
</tr>
<tr>
<td>Standardization in</td>
<td>Similar</td>
<td>Different</td>
<td>Company driven</td>
</tr>
<tr>
<td>spite of different</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>markets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standardization as</td>
<td>Similar</td>
<td>Similar</td>
<td>Market driven</td>
</tr>
<tr>
<td>a response to global markets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unmodified transfer to similar countries</td>
<td>Similar</td>
<td>Similar</td>
<td>Not market driven</td>
</tr>
</tbody>
</table>

As the table indicates, the strategies, represented by the rows, can be compared along several lines, one being the difference between different and similar marketing outputs. But it is also possible to draw a dividing line between market driven and not market driven strategies, as well as between strategies that operate in or assume that markets are similar, and those that assume that markets are different.
Instead of seeing the strategic alternatives in terms of the dichotomy of local adaptation versus globals standardization, they can be viewed as more or less overlapping combinations of variables. These combinations of variables are strategic scenarios in the sense that they may describe actual or hypothetical combinations of decisions and thus serve as a guide in strategic decision making. Companies may decide to standardize or differentiate the marketing output, they may attempt to identify and target transnational segments or local markets, and they may choose to operate with a market driven approach or a not. Each combination of decisions defines a scenario.

THE SUBJECTIVE DIMENSION

So far no mention has been made of the way the marketing output of the company is perceived, interpreted and put to use by the users. It is, of course, recognized by advocates of local adaptation that buyers in different markets have different preferences and values, but it is not always considered that the identity of the elements of the marketing output may change as the result of different perceptions. Products and messages, are more often than not viewed as permanent and unchanging, unless the company decides to modify them. Different values, tastes, customs and habits may imply different preferences, but these are typically described as referring to an objectively existing product, message or service, not to the way the marketing output is perceived and exist in the mind of the users.

However, a number of authors have focussed on the way the marketing output is perceived and interpreted by the consumers. Both consumer oriented business researchers (Britt 1974; Green, Cunningham and Cunningham 1975; Hornik 1980; Keegan 1986; Farley 1986; Johansson and Thorelli 1985; Friedmann 1986; Onkvisit and Shaw 1987; Clark 1987) and more recently a number of anthropologists (Howes 1996; Friedman; Watson 1997; Hannerz 1992), have directed the attention to the way the products and messages are understood by the users and the way they are put to use within their cultural framework. The standpoint is that products and messages exist subjectively for the users and must be analyzed as such.

The introduction of the subjective factor means that the marketing output can no longer be seen as one single variable but splits up into two dimensions, the marketing output as is is determined and perceived by the company, and the same marketing output as perceived and
used by the receiver. In so far as the marketing output may appear as different to different observers, it can no longer be taken for granted that there is a simple one-to-one relationship between the strategy which is decided in the company, and the realized strategy as it appears from the perspective of the local users.

The introduction of the subjective dimension creates further, and more acute ambiguities for the dichotomy of local adaptation and global standardization. Take the following example. Lever’s fabric softener, ”Snuggles” is marketed under different brand names in different countries. In Germany, it is called ”Kuschelweich”, in Denmark ”Bamseline”, in Turkey ”Yomos” in Spain ”Mimosín”, In Italy ”Cocolino” and in France ”Cajoline”. In each case, the name has been chosen in order to give the common impression of ”snuggling, caressing, cajoling” in different national markets. (Kapferer 1997).

The marketing of Diet Coke which is sold under the name of Coca Cola Light in continental Europe is another case of simultaneous adaptation and standardization. In Europe, the word ”diet” connotes illness, and in order to avoid this negative meaning, the word ”light” has been chosen instead. The purpose in both cases, however, is to convey the same meaning, namely that the product contains few calories.

One may reasonably ask whether it makes sense at all to define this branding strategy as local adaptation or global standardization. On the one hand the different brand names seem to correspond to a typical strategy of adaptation: the markets are different, the marketing output is differentiated and the company acts in a market oriented way, adapting to the different languages and cultural values. On the other hand, the strategy has the clear purpose of creating one standardized meaning of the brand name in the mind of the consumers. In other words, the company adapts to local conditions in order to achieve a global standardization mixing the two approaches into one hybrid combination.

The strategy of simultaneous local adaptation and global standardization is no exception and common to all international communication in one important respect. All translations to different languages – be it translations of brand names, advertising copy or manuals – is an adaptation to local conditions in order to achieve the same meaning across linguistic and
cultural differences. The fact that translation can be described as standardized meaning and adapted expression also explains why translations are a logical part of strategies of standardization, even though the language is adapted.

Again, the dichotomy of local adaptation versus global standardization is too simplistic to serve as an adequate description of the strategic choices of Lever and Coca Cola. It does not make much sense to describe their options in terms of local adaptation versus global standardization; for these companies the choice rather stands between a scenario of local adaptation and global standardization versus some other, possible scenario. To define their brand-names simply as locally adapted ignores that the purpose is standardization of perceptions, and to call them standardized overlooks the fact that they are locally adapted.

The combination of a differentiated message and a standardized perception across different countries is not the only complex combination of standardization and adaptation. The opposite combination of a standardized marketing output and a differentiated reception across different countries has been observed since long. Keegan (1969) thus refers to the marketing of an outboard motor which in the US is used for recreational purposes and in other markets by professional fishermen. In Keegan’s words, the product is "transformed" in the foreign markets due to the attribution of benefits that were not intended by the producer. In advertising research it has similarly been shown in a number of papers that perception and interpretation in different countries of the same, standardized message, may differ considerably from market to market (e.g. Green, Cunningham and Cunningham 1975).

Independently of market research, anthropologists have begun to focus on the way western goods are received in culturally different markets, arguing that standardized goods become "indigenized" as a result of their integration into the local contexts. According to Howes (1995), "In Russia, for instance, it has been observed that Coca Cola has been attributed the ability to smoothe wrinkles, in Haiti that it can revive a person from the dead and in Barbados that it can turn copper into silver. These attributes are supplied from within the culture and attached to the global, standardized product turning it into a localized item".
The reception of chocolate in China is another example of how consumers redefine products according to their own cultural system. Chocolate has been integrated into the Chinese health and food system as a "hot" food item, i.e. a product which belongs to the yang-category, as opposed to e.g. vegetables which in most cases are "cold", belonging to the yin category. As a result, the product has been associated with attributes which are unknown in the Western markets, in particular that too much chocolate may cause bleeding from the nose.

These examples represent standardizations in spite of market differences, but they also transcend this scenario. As brands or generic products they enter the markets as standardized, but due to due to different usage patterns, values and habits, they fragment into differently perceived items at the level of the consumers.

The two combinations of standardization are summarized in table 2 where they are given the labels of "Global Equivalents" and "Fragmentation".

Table 2.

<table>
<thead>
<tr>
<th>Figure 1</th>
<th>Marketing output</th>
<th>Market context</th>
<th>Perceived marketing output</th>
<th>Strategic orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equivalents</td>
<td>Different</td>
<td>Different</td>
<td>Similar</td>
<td>Market driven</td>
</tr>
<tr>
<td>Fragmentation</td>
<td>Similar</td>
<td>Different</td>
<td>Different</td>
<td>Not market driven</td>
</tr>
</tbody>
</table>

Neither of the two strategic scenarios discussed here can be adequately described as either standardization or adaptation. Or rather, to define them as one or the other would only be a half truth. The configuration of Global Equivalents must be defined as a configuration implying both adaptation and standardization, and Fragmentation as a combination of both standardization and differentiation.

**A QUALITATIVE MODEL OF ANALYSIS**

As suggested above, the theoretical problems which follow from the dichotomy of standardization versus adaptation can be solved if we look at strategies as possible or actual...
scenarios consisting of combinations of variables. The task is now to bring the configurations of table 1 and 2 together with the purpose of creating a more homogenous model of strategic scenarios.

In order to be exhaustive, such a model must include all four variables of table 2 (all columns) and all the combinations of variables of both tables (all rows). In other words, the variable “perceived marketing output” must be added to table 1 and the two tables merged.

The literature gives little or no help with regard to the content of the perceived marketing output of table 1. The table reflects a basically objectivist discussion which does not pay particular attention to the way the marketing output is perceived and understood. However, even though empirical evidence is lacking, some plausible hypothesis can be formulated as a help in the construction of a more comprehensive analytical framework.

In the first place it seem intuitively necessary to assume that similar markets may imply similar perceptions of a standardized marketing output. A model which includes both dimensions of the marketing output must consequently operate with the possibility that the combination of a standardized marketing output and similar markets are followed by similar perceived marketing outputs. This means that the two versions of global standardization in similar markets of table 1 can be identified as leading to similar, perceived outputs.

Secondly, the possibility that different markets imply different perceptions of a standardized marketing output must also be included. The Fragmentation scenario of table 2 represents this situation. It is assumed here that a strategy of standardization in spite of market differences as the one described in table 1 also result in fragmentation, i.e. that this combination is identical to Fragmentation. The cost of this assumption is that it excludes the possibility of similar perceptions of a standardized marketing output in a context of different markets. If a standardized output is perceived differently it is because of market differences, and conversely, if there are market differences, they will affect the standardized marketing output and make it fragment.
Where both the marketing output and the cognitive market contexts are differentiated, as in Local Adaptation of table 1 and Global Equivalents of table 2, the perceived marketing output is the combined effect of two differences. On the one hand, the possibility of creating global equivalents indicates that the combined effect of different marketing outputs and different markets may turn out as similar perceptions across the different national markets. On the other hand, it is counterintuitive to assume that this must always be the case, and it is therefore necessary also to include the possibility that the outcome may be different perceptions. In other words, it can be assumed that a market sensitive approach to local markets may result in different as well as similar perceptions across national markets.

The result of these additions are presented in table 3 which contains the scenarios of tables 1 and 2.

Table 3.

**Four Scenarios**

<table>
<thead>
<tr>
<th></th>
<th>Marketing output</th>
<th>Market context</th>
<th>Perceived market context</th>
<th>Strategic orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local adaptation</td>
<td>Different</td>
<td>Different</td>
<td>Different</td>
<td>Market Driven</td>
</tr>
<tr>
<td>Fragmentation</td>
<td>Similar</td>
<td>Different</td>
<td>Different</td>
<td>Company Driven</td>
</tr>
<tr>
<td>Global Equivalents</td>
<td>Different</td>
<td>Different</td>
<td>Similar</td>
<td>Market Driven</td>
</tr>
<tr>
<td>Global Standardization</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Market Driven or Company Driven</td>
</tr>
</tbody>
</table>

For the sake of simplicity, no distinction is made between a market driven and a company driven (or not market driven) approach to global standardization in similar markets.
As a model of strategic alternatives, the matrix is qualitative in the two senses of the word: like similar matrices, it uses a nominal scale and is a general tool for qualitative analysis of non-quantifiable aspects of international marketing strategy. In the final section of the paper, the matrix will be changed into an interval-scale model and illustrated by means of quantitative data.

**PLANET REEBOK**

The advertising campaign "Planet Hollywood" (Harper, 1994) may serve as an empirical illustration of the analytical properties of the four scenarios. Until the beginning of the 90’s, international marketing at Reebok was planned by the local subsidiaries. During the 80’s individual country managers had appointed their own advertising agencies and developed their own advertising copy and tag lines, occasionally borrowing executions from the US, which were then adapted. By 1991, several headquarters executives believed that greater message consistency around the world would help improve the international brand image and cost effectiveness of Reebok’s advertising. Regional advertising agencies were selected to establish standardized advertising and brand-image guidelines and approve local adaptations of copy.

In 1992, the advertising campaign "Planet Reebok” was developed to convey a Reebok personality that was "athletic, human, honest, self-confident, aspirational, occasionally outrageous, and one that could range from being soul-stirring to thrilling and aggressive”. This would be achieved by "tapping into the universal values of sport and fitness”.

The TV campaign which was commissioned to a US based agency, consisted of a core of TV spots, each beginning with the question "What is Planet Reebok?" followed by exhilarating sports and fitness action, accompanied by fast-paced music (heavy metal) and the captions ”No faxes”; ”No messages”; ”No phones”; ”No meetings”. Some of the central findings from the pre-launch test conducted in the US, France, Germany and the UK are reproduced in box 1.
Box 1.
Planet Reebok. Pre-launch test results.

<table>
<thead>
<tr>
<th>USA</th>
<th>FRANCE</th>
<th>GERMANY</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fun</td>
<td>Impressions: Violent and macho</td>
<td>Impressions: Restless feel</td>
<td>Impressions: Like the fast changes</td>
</tr>
<tr>
<td></td>
<td>Violent and macho</td>
<td>Aggressive</td>
<td>Too fast</td>
</tr>
<tr>
<td></td>
<td>Aggressive</td>
<td>Breathless</td>
<td>Fear</td>
</tr>
<tr>
<td></td>
<td>Breathless</td>
<td></td>
<td>Danger</td>
</tr>
<tr>
<td>Exciting</td>
<td>Life on Planet Reebok: People are like machines</td>
<td>Life on Planet Reebok: People are risk takers</td>
<td>Life on Planet Reebok: America</td>
</tr>
<tr>
<td>Upbeat</td>
<td>Life on Planet Reebok: People are like machines</td>
<td>Sensation seekers</td>
<td>A place to escape to</td>
</tr>
<tr>
<td>Fast-paced</td>
<td>Soulless</td>
<td>American way of life</td>
<td>World of sports</td>
</tr>
<tr>
<td></td>
<td>Only played sports – didn’t even eat</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>Not enough women</td>
<td>Lack of fun,</td>
<td>Perfect</td>
</tr>
<tr>
<td>Energy</td>
<td>Too little enjoyment</td>
<td>Lack of human factor</td>
<td>Glamourous</td>
</tr>
<tr>
<td>Performance</td>
<td>Too little comraderie</td>
<td>Lack of empathy</td>
<td>Elite</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The basic idea behind the campaign was thus that a standardized campaign could be used to achieve a standardized brand-iamge across countries due to the universal values of the market. The approach was market driven in the sense that the company sought to adapt to global values, but also motivated by the need to reduce costs and thus company driven, in short, a scenario of Global Standardization.

However, the conclusion from the focus groups was that the standardized campaign fragmented into different perceptions. The perception of the US respondents corresponded fairly well to the intentions behind the campaign, but in France and Germany, and to a lesser extent in the UK, respondents associated the fast changes, the music and the sports with danger, violence and intimidation, and saw people on planet Reebok as lacking humanity. Neither the UK perception of people on Planet Reebok as perfect, glamorous elite corresponded to the original ideas.

What would Reebok’s options be in this situation? The company could choose to modify the TV spots in order to eliminate the negative associations, accepting at the same time that the
different messages created different perceptions, i.e. follow a strategy of Local Adaptation. This could be done by leaving the further development in the hands of the local subsidiaries which thus would tend to lead the company back to the earlier decentralized structure.

It could also change the TV spots in such a way that the perceptions became similar across countries, i.e. by seeking to establish Global Equivalents. This would imply that the elements of the marketing output that created the feeling of fear, violence and lack of humanity in the European countries were substituted for elements that would maintain the dynamism and aggressiveness but without the negative feelings. Also messages conveying a higher degree of human feeling empathy and humor would have to be found for the French and the German markets. In the US, this would not be necessary, and the elements could be used as they were presented to the respondents in the pre-launch test. Also, the elements that create associations of glamour in the UK would have to be replaced by other elements, but as these associations did not form part of the respondents associations in other countries, this modification could be limited to the UK. These modifications would all have the purpose of creating the same, identical brand-image in different countries by means of a differentiated marketing output.

If the company should choose to follow a strategy of global equivalents, it would have made the trajectory from an initial scenario of Local Adaptation to an attempt to implement a strategy of Global Standardization, standardizing both the marketing output and the perceived marketing output based on market similarities; from there to the insight that standardization lead to Fragmentation of the perceived marketing output due to different market contexts, and further to standardization of the perceived message by means of Global Equivalents.

The traditional dichotomy is unable to give an adequate account of the decision process and is, consequently, insufficient as a conceptual tool in strategic planning and implementation. Because it does not draw a distinction between local adaptation and global equivalents, it would not help the company see that Global Equivalents might be an alternative to the earlier, decentralized strategy of local adaptation. Neither does it point to Fragmentation as a possible outcome of the attempt to standardize in different markets.
A QUANTITATIVE VERSION

In statistical terms, when interval data is available, the use of a nominal scale implies a loss of information and an interval scale should be used instead. The four configurations can be changed into a quantitative model using interval scale variables assuming that 1) international marketing can be described as a function where \( R = f(P) \), where \( P \) corresponds to the marketing output and \( R \) to the perceived marketing output, and the other way round, \( P = f(R) \). In the former case, the perceived marketing output is the dependent variable, and the function represents the company driven approach; in the latter, the perceived marketing output is the independent variable and the function is equivalent to a market driven strategy. The market context determines the nature of the function, i.e. the way the two variables are projected upon each other. 2) full standardization takes place when a variable takes the same values across countries and there is no spread around the mean, i.e. when the standard deviation is zero. Standard deviations higher than zero represent degrees of differentiation. Because the interval scale goes from zero to infinity, we can only speak of full standardization or identity across countries, but not of complete differentiation as this would imply an infinitely high standard deviation.

The following graph represents the quantitative model:

Figure 1

![Graph](image)

P: Marketing output
R: Perceived marketing output
M1-M3: Market contexts
The intersection of A and B corresponds to the strategic scenario of Fragmentation. The value of P which is the same across the three markets M1, M2 and M3 results in two different projections on the R axis. The intersections A and C are equivalent to the scenario of Global Equivalents. The points A and D result in different values of both the marketing output and the perceived marketing output corresponding to the scenario of Local Adaptation. Finally, B represents the scenario of Global Standardization. The graph underscores the fact that standardization of both dimensions is only possible when the factors that determine perceptions are similar across countries, i.e. when the market functions are identical. When markets differ, as M1 differs from M2 and M3, it is only possible to standardize one variable, either the marketing output – intersections A and B - or the perceived output – intersections A and C - but not both at the same time.

THE INTERNATIONAL PRICING OF THE ”BIG MAC”

The quantitative version of the model can be exemplified using the international pricing of McDonald’s Big Mac as a case. Information on local prices are available in the Economist’s index of Big Mac prices in 34 countries around the world. Perceived prices are not available but can be approximated by the relative weight of the Big Mac in the income per capita. Using price and income data from 1995 (The Economist 1995; UNDP 1998) the approximation to the perceived price can been calculated as $R = \text{price of the Big Mac} \times 1000 / \text{GDP per capita}$ (the price as per mille of the income per capita). The data has been put in index form with the averages of each series as the base in order to ensure comparability between the two axes of the graph:
The plot contains the same geometric properties as figure 1. The equation used to calculate the perceived prices implies a linear relationship between output prices and perceived prices. For each country, a straight price line can be drawn from origo upwards, intersecting with the dot representing the country; it is thus possible graphically to relate possible output prices to the corresponding estimated perceived prices and vice versa for each country.

Neither the local prices nor the perceived local prices are standardized in a strict sense since the values of both axes differ from the mean. What is of interest here, however, is the degree of differentiation and standardization. The standard deviation of the marketing output, is 33 while

P: 2,22 $ = 100
R: 0,59 = 100
the standard deviation of the approximated perceived marketing output is 133, i.e. four times as high, indicating that while both dimensions are differentiated, the pricing of the Big Mac is clearly biased towards standardization of the output prices.

From this position the company can move towards a higher degree of standardization in two ways. It can standardize its output prices further, but will then have to accept a higher degree of differentiation of the level of perceived prices; or it can standardize the perceived prices, but can only do so by means of an increased differentiation of the output prices.

Table 4 shows the calculated results of a complete standardization of both price dimensions. A strategic change to identical output prices across all the 34 countries would imply a move from row 1 to row 2, i.e. an increase of the standard deviation of the perceived prices from 133 to 169 cf. column 3.

Table 4.
Pricing of the Big Mac. Actual and Calculated Scenarios.

<table>
<thead>
<tr>
<th></th>
<th>Output prices Standard deviation (P)</th>
<th>Market contexts (GDP pr cap) (M) Standard deviation</th>
<th>Estimated perceived prices (R) Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actual scenario</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prices of the Big Mac, 1995</td>
<td>33</td>
<td>75</td>
<td>133</td>
</tr>
<tr>
<td><strong>Fragmentation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standardization of the marketing output.</td>
<td>0</td>
<td>75</td>
<td>169</td>
</tr>
<tr>
<td><strong>Global equivalents</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standardization of the perceived marketing output.</td>
<td>115</td>
<td>75</td>
<td>0</td>
</tr>
</tbody>
</table>

Similarly, complete standardization of the perceived prices implies a move from row 1 to row 3 with an increase of the standard deviation of the output prices from 33 to 115 cf. column 1.
The company cannot, however, standardize both the output prices and the perceived prices because of the different market functions. Just as Reebok is unable to standardize the TV spots as output and the perception of the TV spots at the same time, McDonald’s is forced to accept either differentiation of both output price and perceived price – which was the case in 1995 – or a combination of higher standardization of one of the price dimensions and higher differentiation of the other.

Decisions on standardization or differentiation of price is a two edged phenomenon where the degree of differentiation of one axis necessarily affects the degree of differentiation of the other, the specific interaction being determined by the market context. The traditional dichotomy of local adaptation and global standardization views price as a unidimensional phenomenon and is therefore unable to take into account that a change of pricing strategy towards a higher degree of standardization causes an increased differentiation of prices at the level of consumer’s perceptions. Neither can the traditional dichotomy accommodate the fact that a higher degree of differentiation of the output prices may be pursued in order to achieve more similar perceptions across different national markets.

CONCLUSIONS AND RECOMMENDATIONS FOR FURTHER RESEARCH

The paper has analyzed some of the definitions of local adaptation and global standardization with the aim of constructing a less ambiguous and more comprehensive analytical framework. It has been suggested that the ambiguity can be avoided by viewing the strategies as scenarios, and that the introduction of the variable of the perceived marketing input is necessary in order to explain what happens in the mind of the user and to enable the formulation of strategic goals of standardization in terms of user’s perceptions.

The paper has not attempted to answer the central question of whether companies should adapt to local conditions or follow a strategy of global standardization, neither has it been the purpose to explain why companies tend to standardize or adapt. These questions are certainly important, but before they can be answered satisfactorily, the theoretical ambiguities of the concepts have to be removed.
The analytical models suggested in the paper invites to more research on the strategic scenarios which characterize the international marketing of companies. To what extent can companies be described by the scenarios of of local adaptation, global adaptation, fragmentation, global equivalents and global transfer? Descriptive analysis of this sort can be complemented by more normative research which focusses on the relationship between the strategic scenarios and performance.

Further research must also include the competitive situation. The consumer’s mental map of the company’s products and those of the competitors are a crucial part of the perceived marketing output. To what extent do companies standardize their positioning by means of a differentiated marketing output? Can they achieve a standardized positioning by means of a standardized marketing output? Or do they differentiate both the marketing output and the positioning?

The quantitative model need not be restricted to price. If product attributes can be defined as degrees and consumer studies can show how the different values are reflected on a similar quantitative scale of consumer perceptions, the relationship between product attributes and perceived product attributes can be analyzed statistically.

The paper leaves one important question unanswered, namely how to divide the marketing input into its constuting parts. The marketing output can be divided into a number of variables which can be further subdivided, down to the elementary units where further subdivision is not possible. The marketing output may contain both standardized and differentiated elements each of which may result in similar or different perceptions. It is therefore important to be clear about the content of the variables in order to avoid a new set of ambiguities.

Litterature:
International Marketing Review 10(1), 19-44.


The Economist (1995), The Big Mac Index. ABI-Inform.


Samiee, Saeed and K Roth (1992), Journal of Marketing, 56, April, 1-17.


