International Marketing Strategy: Does Company Nationality Matter?

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Abstract

This study examines the association between company nationality with standardization or localization of the components of the marketing mix across countries, headquarters influence on country executives, and the key performance objectives set for corporate strategies.

Surveys of 520 managers were conducted from 1982 through 2011. Headquarters of their organizations were located in numerous countries but the comparisons in this study focus on four areas: the United States, Europe, Australia, and Asia.

Little difference was found among the average autonomy allowed country managers across headquarters locations and over time. On the average, the United States companies represented in the survey standardized their product design and brand name more than companies from other countries but localized their pricing more. Perhaps consequently, headquarters of the United States companies provided more help to their country managers with respect to pricing decisions. Short-term objectives such as next year's profit were relatively more important on the average to the managers from US companies and long term objectives were less important. On the average, respondents from US companies assigned more importance to increasing their share price.

Keywords: international marketing strategy, international organization, global marketing.

Introduction

For many years, managers, consultants, and academics have focused on the development and implementation of international marketing strategies and the implications for organizations (Clee 1964, Buzzell 1968, Davis 1976, Doz 1981, Kogut 1985, Bartlett 1989, Sexton 1994, Sexton 1999, Campbell-Hunt 2000, Sexton 2006). Questions remain, including:

1. How might an international marketing strategy be standardized (versus localized) with respect to specific components such as product or service design and pricing?
2. What is the influence of the organization's headquarters on the marketing decisions made for country markets?
3. What are the organization's business objectives?

This study consists of the initial analysis of a rich data set concerned with international marketing strategies. Since the early 1980's, the author has been surveying managers from numerous organizations located around the world. The samples have been opportunistic in that the respondents were attendees in executive education programs taught by the author in North America, Europe, Australia, and Asia. Participants in these programs were managers in companies with headquarters throughout the world.

[insert Table 1]

The sample is special in that it spans nearly 29 years and includes managers from companies based in the United States, Japan, India, China, Australia, France, Germany, and many other nations. For these analyses, the headquarters locations are classified into four groups: United States, Europe (both West and East), Australia, and Asia.

Conceptual Framework/Literature Review

A market for a particular product or service can be global or multi-domestic (Sexton 2004b, Sexton 2007b, see also Levitt 1983, Douglas 1989, Root 1990, Craig 2000 and Czinkota 2010). At one extreme, if a market is fully global, then the competitive conditions are identical in all country markets, including customer needs, competitors, and marketing regulations. At the other extreme, if a market is fully multi-domestic, then the competitive conditions differ markedly across country markets and each country market is unique.

Most markets are somewhere between the extreme cases of completely global and completely multi-domestic. However, note that the nature of a market is not a given – it may be possible to identify markets that are relatively more global by applying the ideas of segmentation and finding global segments that transcend country borders (see examples in Sexton 2007b, Sexton2008b).

An international marketing strategy can be global or multi-domestic (Sexton 1997, Sexton 2008b). In a fully global marketing strategy, all components would be standardized across country markets, including market targets, positioning, and the entire marketing mix including product, brand, communications, pricing, and distribution. In a fully multi-domestic marketing strategy, all components would be localized.

Most organizations follow an international marketing strategy that is part global and part multi-domestic (Rudolph 1985, Szymanski 1993, Subramaniam 2004). Which components are standardized and which components are localized depends on the trade-off between costs and value to the customer (Porter 1980, Jain 1989, Kim 2003, Sexton 2009b, Sexton 2010a).

The more components of the international marketing strategy are standardized, the more the reduction in costs (Rau 1987). For example, if a specific automobile design can be sold in all countries, then there are substantial savings in production and, if an advertising campaign has a creative treatment that can be used everywhere, then there are substantial savings in marketing communications. The more the components are localized, the closer they match the needs of the customers in the country market and, consequently, the higher the value to those customers (Quelch 1986). For example, if an automobile design is especially well-suited to a country's infrastructure, then the value to customers will be higher and, if an advertising campaign features local personalities, then most likely it will have more of an impact on the value of the product or service as perceived by the customers in that country market. (For examples, see Hill 1984, Mueller 1987, Seifert 1989, Kashani 1989, Chan 1990, Miracle 1992, Zanpour 1994, Laroche 2001), This trade-off between costs and value to the customer can be accomplished by employing the concept of Customer Value Added (CVA®), a metric developed by the author and explained in Sexton 2009b and Sexton 2010a.

An <u>international marketing organization</u> can be global or multi-domestic (Sexton 1994, Sexton 2006). In a global organization, the power is concentrated at headquarters and, at the extreme, all marketing decisions for a country market are made at headquarters (Sorenson 1975). In a multi-domestic organization, power is not concentrated at headquarters and, at the extreme, all marketing decisions for a country market are made by the country managers (Hulbert 1980, Taggart 1998, Solberg 2000).

Clearly, there is a need for alignment so that the strategy an organization is employing is most suitable for the market in which they are competing and their organizational structure is most suitable to implement the strategy they have developed.

[insert Exhibit 1]

Note that in a mixed case - when a company is competing in markets that differ markedly with respect to being global or multi-domestic and therefore require strategies that differ with respect to which marketing decisions are standardized and which are localized, then that company might be well-advised to have more than one organizational structure for their international marketing operations (Hamel 1985, Ghoshal 1987, Bartlett 1989, Davidson 1982, Davidson 1989, Hewett 2003).

Research Model

These analyses are preliminary to a more complete exploration of the data base and provide descriptive background to the ideas discussed in the prior section. For each of the organizations represented in the survey, the data include information regarding the industries and geographical areas where they are actively competing and other information such as the organization's size and the relative importance of international sales, typical method of foreign market entry, methods of strategic analysis employed (such as political risk assessment), relative importance of components of the marketing strategy such as product design, communications, and pricing, barriers to entry (especially different kinds of regulations), and cost considerations. Examining all the data available will allow a more complete investigation of the degree to which strategies and organization structures are aligned with markets as regards the characteristics of global versus multi-domestic.

The work reported here is focused on coordination from headquarters for various components of the international marketing strategy (standardization versus localization), help from headquarters, and business objectives and how these dimensions of strategy vary by location of the company headquarters and over time.

Method and Findings

Initially, comparisons were made among organizations according to where their headquarters is located – United States, Europe, Australia, and Asia.

Coordination of Marketing Decisions Versus Location of Headquarters

Respondents used a 7-point scale to describe to what extent specific marketing decisions were standardized in all markets (1) versus localized (7).

[insert Table 2]

Overall, brand name was the most highly standardized among all the marketing decision variables. In particular, United States companies on the average standardized the brand name the most. The average standardization rating of brand name was somewhat lower for Asian companies and was the lowest rating among the four areas –a finding consistent with some of the branding issues currently facing Indian and Chinese companies (Sexton 2007a, Sexton 2010b) – the lack of global brands.

On the average, product design was the second most standardized marketing decision – but more so for the United States and European companies than for those in Australia and Asia. While the US companies rated the highest on standardizing brand name, they and European companies were the lowest on the average for standardizing their pricing.

Generally, the marketing decisions that had most interaction with local conditions, such as customer service, advertising, personal selling, and distribution, were on the average more localized.

Help from Headquarters Versus Location of Headquarters

There was little difference among the degree of autonomy given country managers by companies headquartered in the different geographical areas.

[insert Table 3]

The average rating indicating the most help from headquarters corresponded to customer service, possibly because it is a benefit that is not always easy to export given differences in cultures (Sexton 2007c). United States companies in particular provided what appeared to be substantial headquarters support for customer service. US firms on the average also provided relatively more headquarters help for pricing which is consistent with their relative lack of standardization on pricing (Table 2). On the other hand, regardless of headquarters location, many of the other localized elements of the marketing mix on the average did not receive much help from headquarters.

[insert Table 4]

Organization Objectives Versus Location of Headquarters

In 1981, a Japanese newspaper surveyed approximately 100 United States managers from United States companies and approximately 100 Japanese managers from Japanese companies regarding the priorities of their companies' business objectives.

[insert Table 5]

It is notable that the second most important objective for the US managers in this survey was stock price – which was given no importance by the Japanese managers. There are many reasons for this result, including the financial system in Japan at the time. However, the concern with stock price by US companies many consider to be a reason for relatively shorter planning horizons used by US companies. These 1981 findings are corroborated by the results of the analysis of this survey.

The respondents in the author's survey were asked to rate the relative importance of various business objectives to their companies (1 – very important, 7 – not important).

[insert Table 6]

Relative to the other geographical areas, the respondents from companies headquartered in the United States rated relatively more important all the shorter term business objectives such as next year ROI and relatively less important all the longer term business objectives such as long-run ROI. In addition, the US company managers on the average rated stock price as being more important than the managers from companies not based in the US.

Coordination of Marketing Decisions Versus Time

To examine changes over time, multiple regression analyses were performed for selected marketing decision variables. The dependent variable was defined the same way as in Table 2 above - standardized (1) versus localized (7). Year was the year the survey was conducted. Area was coded in binary form such as 1 if headquarters in Europe, 0 if not. The US binary variable was not included among the independent variables so that the regression results show results relative to the sample of managers from US companies.

[insert Table 7]

Overall, there seemed little linear change over time in the standardization/localization of the four marketing decision variables examined. The results did reinforce the findings in Table 2 that US firms on the average standardized brand name and product design more than companies from the other three areas.

Organization Objectives Versus Time

Regression analyses were conducted where the dependent variables consisted of the next year financial objectives, the long-run financial objectives, and share price increase.

[insert Table 8]

All of these regressions were highly significant – five of the seven F-values were statistically significant at higher than the 0.01 level and the other two were statistically significant at higher than the 0.05 level.

All these regressions confirmed what was clearly visible in Table 6, namely that US companies are much more short-term oriented than companies in the rest of the world – at least compared to those represented in the survey. US company managers are also more concerned with the behavior of the price of a share in their company. That type of view should be a concern for US companies if it encourages actions that enhance short-term performance at the expense of long-run success (Sexton 2004a).

Limitations and Further Research

As with any empirical work, the first limitation is the sample. There may be selection bias in the companies that were included, non-response bias due to those who declined to participate, and response bias due to misperceptions by those who completed the questionnaire. Nonetheless the results do display some face validity. Further analysis should help determine the utility of these data. Additional statistical analyses, including analyses of variance and regression analyses, will be conducted to continue examination of the relationships among the variables.

Future research will include examination of the other information that was collected but has not yet been analyzed. In addition, multivariate techniques such as cluster analysis and factor analysis will be employed to subdivide the sample into more homogenous groups and to organize the variables to allow examination of whether or not the companies surveyed have aligned their strategies and organizations with their markets.

Additional surveys will be conducted to increase the size and diversity of the data base through the cooperation of other professors and other institutions.

Managerial Implications

These findings indicate that there seem to be some systematic differences among the strategies followed by companies headquartered in different parts of the world with respect to standardization and localization and also differences in the relationship between headquarters managers and country managers. Especially important are the results that appear to suggest that United States companies, on the average, may be pursuing short-term strategies and have done so for many years. These tendencies have implications for managers who are forecasting the actions of competing companies headquartered in different geographical areas.

More generally, these results provide the beginning of an analysis of the factors determining alignment among markets, strategies, and organization structure which will be completed in later work.

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Table 1

Sample Sizes By Location of Headquarters

Headquarters Country	United States	Europe	Australia	Asia	All
Sample Size	251	126	76	67	520

Table 2

Coordination of Marketing Decisions By Location of Headquarters

Headquarters Country	United States	Europe	Australia	Asia	All
Product design	2.67	2.84	3.23	3.71	2.91
Brand name	1.95	2.31	2.15	2.43	2.13
Packaging	3.312	4.02	3.09	3.46	3.48
Customer service	4.64	5.08	4.91	4.73	4.81
Pricing	5.20	5.37	4.97	5.01	5.20
Advertising message	4.19	4.33	4.46	4.37	4.30
Advertising creative	4.36	4.62	4.01	4.35	4.36
Media allocation	5.00	5.26	4.56	4.76	4.96
Sales promotion	4.61	4.83	4.10	4.54	4.56
Sales force role	4.99	5.37	5.09	4.83	5.08
Sales force management	5.00	5.32	4.78	4.60	5.00
Distributor role	5.06	5.29	4.88	4.54	5.03
Distributor type	5.02	5.43	4.94	4.67	5.07

Scale: 1 – Standardized, 7 – Localized.

Table 3

Autonomy of Country Managers By Location of Headquarters

Headquarters Country	United States	Europe	Australia	Asia	All
Autonomy of Country Manager	2.78	2.71	2.61	2.84	2.73

Scale: 1 – Considerable autonomy, 7 – No autonomy.

Table 4

Help from Headquarters for Marketing Decision By Location of Headquarters

Headquarters Country	United States	Europe	Australia	Asia	All
Product design	2.69	2.79	2.54	2.67	2.71
Brand name	4.38	4.61	4.14	4.15	4.37
Packaging	2.43	2.75	3.31	3.08	2.71
Customer service	1.90	2.30	2.92	2.64	2.21
Pricing	2.91	3.54	4.23	3.46	3.32
Advertising message	4.24	4.76	4.40	4.58	4.44
Advertising creative	3.76	4.30	3.86	3.60	3.87
Media allocation	3.64	3.78	4.21	4.37	3.82
Sales promotion	3.95	4.04	4.25	4.34	4.04
Sales force role	4.71	5.03	4.61	4.84	4.76
Sales force management	4.12	4.36	3.74	4.48	4.15
Distributor role	4.61	5.02	4.77	4.82	4.76
Distributor type	4.83	5.07	4.91	5.06	4.92
New product development	4.78	5.09	4.86	5.00	4.89
New market development	4.77	5.17	4.72	4.80	4.85
Marketing research	4.00	3.91	4.15	4.16	4.00

Assessment of competitors	**4.24**	**4.15**	**4.44**	**4.29**	**4.23**
Assessment of political conditions	**5.12**	**4.62**	**4.07**	**4.12**	**4.73**
Assessment of regulations	**4.98**	**4.97**	**3.96**	**4.10**	**4.74**
Assessment of economic conditions	**4.93**	**4.62**	**3.84**	**3.92**	**4.57**

Scale: 1 – Much help from headquarters, 7 – No help from headquarters.

Table 5

Priority of Corporate Objectives, United States versus Japanese Managers

Objective	United States	Japan
ROI	2.4	1.2
Stock price	1.1	.0
Market share	.7	1.4
Portfolio of products	.5	.7
Cost reduction	.5	.7
Debt/equity ratio	.4	.6
New products	.2	1.1
Corporate image	.1	,2
Work conditions	.0	.1

Scale: 1 – Not important, 3 – Most important.
Sample sizes: Approximately 100 managers from each country.

Source: Toyo Keizai, August 20, 1981.

Table 6

Priority of Objectives By Location of Headquarters

Headquarters Country	United States	Europe	Australia	Asia	All
Next year ROI	2.39	2.40	2.70	3.07	2.52
Long-run ROI	2.57	2.13	2.21	2.20	2.35
Next year profit	1.94	2.09	2.51	2.71	2.17
Long-run profit	2.48	1.97	2.10	2.05	2.24
Next year sales	2.06	2.25	2.61	2.64	2.27
Long-run sales	2.54	2.08	2.28	2.17	2.33
Next year market share	2.59	2.91	3.27	3.16	2.86
Long-run market share	2.66	2.44	2.80	2.56	2.62
Diversification	4.09	3.78	4.12	3.66	3.94
Stock price increase	3.00	3.88	4.12	4.13	3.53
Increased equity ratio	3.19	3.29	4.09	4.06	3.45
Rationalization of costs	3.27	3.14	3.92	3.42	3.33
Development of new products	2.74	2.41	3.02	3.02	2.75
Improvement in working conditions	4.06	3.85	4.00	3.63	3.94
Improvement in company's image	3.00	2.62	3.00	2.52	2.83

Scale: 1 – Very important, 7 – Not important.

Table 7

Coordination of Selected Marketing Decisions versus Year and Location of Headquarters

Dependent Variable	Intercept	Year	Europe	Australia	Asia	F
Product design	2.537b	.001	.176	.549b	1.024a	3.762a
Brand name	1.738	.002	.351c	.189	.454	1.386
Pricing	6.895a	-.019	.203	-.150	.038a	1.134
Advertising message	4.181a	8.85E-05	.144	.272	.182	.318

Statistical significance: a - .01 or higher, b - .05 or higher, c - .10 or higher.
Dependent variable: 1 – Standardized, 7 – Localized.

Table 8

Priority of Objectives versus Year and Location of Headquarters

Dependent Variable	Intercept	Year	Europe	Australia	Asia	F
Next year ROI	4.657a	-.025a	.040	.409c	.981a	3.984a
Next year profits	2.801a	-.010	.169	.610a	.893a	2.671b
Next year sales	3.065a	-.011	.199	.591a	.718a	5.628a
Long-run ROI	3.722a	-.013	-.430a	-.307	-.217	4.012a
Long-run profits	3.355a	-.010	-.499a	-.338c	-.309	4.416a
Long-run sales	2.755a	-.002	-.458a	-.254	-.344	2.728b
Share price increase	6.560a	-.039a	.951a	1.286a	1.585a	8.490a

Statistical significance: a - .01 or higher, b - .05 or higher, c - .10 or higher.
Dependent variable: 1- Very important, 7 – Not important.

Exhibit 1

Alignment of Market, Strategy, and Organization