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# Customization or Standardization? Propositions on International Internet Marketing and Commerce

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Introduction

As the Internet reaches more and more people across the planet, the global village will increasingly become the global marketplace. The Web has transformed business by allowing easy and rapid dissemination of information, access to high capacity communications channels, and advances such as Electronic Data Interchange while reducing expenses such as the cost of long distance telephone service and fax. These changes will however be predicated on the ability to develop data and encryption standards and to develop client trust (Cassidy, 1995). The security of credit card transactions has proved to be a concern recently, however some companies have waived the liability deductible on Web transactions. Visa and Mastercard have announced an agreement on encryption schemes for Internet data which may foster increased user confidence in transaction security.

Rapid growth and the opportunity to reach huge markets will cause marketers to be increasingly attracted to the Web (McGurn, 1995) for the sale of their products, but not without problems. Many countries, including the United States, China (Kinoshinta, 1995; Leonard, 1995), Saudi Arabia, Iran (Bogert, 1995), and Indonesia have expressed a desire to exert some level of control over the information their citizens view. While there are always concerns, the business potential of the World Wide Web to organizations is vast. This paper addresses three areas of concern to organizations seeking to offer wares through the Internet: pressure for organizational global integration of activities, pressure to be locally responsive, and pressure from external control mechanisms such as governmental firewalls.

Product Diversification versus Specialization

From the consumer's point of view, the Web may appear to be a virtual shopping mall encased in a computer box. Wholesalers and retailers must often decide whether to offer a standardized product (nationally and/or globally) versus a customized product. When these sellers advertise their wares electronically, should they then also customize their advertising, promotion, and sales efforts across regional, national or international borders, or should they offer a standardized bill-of-fare? There are in increasing number and variety of firms such as Mexicana Airlines, Land's End and Spiegel who are publishing their catalogs electronically or are using firms who publish a large number of catalogs at the same site.

Consumers may require clarification of product offerings, terms, and interpretation of service agreements. These consumer services are provided in North America via 1-800 telephone lines and local service providers. Such services may or may not exist in a host country. Adequate labor or technology may not be available to provide these offerings. The Internet in its current format is essentially a series of written documents or "billboards" which are information lean as compared to face-to-face conversation but improve substantially upon telephone conversations or electronic mail. Feedback is relatively restricted in availability and governed by rules, forms and procedures. Users in foreign lands may have limited command of the English language, necessarily requiring services to be available in a multitude of languages and dialects.

Obviously, as firms venture into the international arena, they will encounter a wide variety of problems. Some of these may be equivalent to existing domestic problems while others may prove to be completely new experiences which the firm may be ill-equipped to handle. Government policies and restrictions, cultural differences, cultural preferences, and language may provide unique challenges that require specialized expertise. Businesses in foreign lands may deal with competitors who routinely conduct operations in manners which would not occur or be permitted in the home country. Such factors or control mechanisms may prohibit or severely limit a firm's ability to offer a globally integrated product, forcing them to be more locally responsive than they would like. These controls may also force a firm that would prefer to be locally responsive away from this goal by limiting the type, number and content of product offerings in the market, hence obliging the firm to standardize.

## Marketing Implications

Quelch and Hoff (1986) found that the strength of local management can affect the acceptance or resistance to standardization. They suggest that firms seeking to shift to global marketing should maintain a product portfolio that allows both regional and local brands, and that country managers be allowed control over marketing budgets to allow responsiveness to local consumer needs. Although there are many distinct differences between nations and cultures, some aspects of various cultures are admired and imitated. Many products are purchased in foreign markets because they are American, are perceived to represent something American, or symbolize the American way of life (Felten, 1991). For example, visitors to many Asian countries can find products which profess to be associated with some fictitious American sports team.

Existing Web marketers have begun offering coupons and product news to attract customers who typically are young, college-educated males with above average incomes (Kuntz, 1995). Internet commerce may require firms to adopt or develop new methods of creating and maintaining brand loyalty, such as interactive branding (Upshaw, 1995) where customer-vendor relationships are built and then transformed into brand loyalty. Such methods include agile, generational and niche marketing which allow firms to rapidly move into developing or untapped niches, many of which may be based upon cultural aspects of consumers. Recent articles have cited the need to target specific groups such as African Americans (Kinter, 1995; Potter, 1995), Generation X (Horton, 1995), women (Rickard, 1995), Hispanics (Goodson & Shaver, 1995) and Asian Americans (Freeman, 1995).

Kenichi Ohmae (1985) suggested that the people living in Triad trading areas (Europe, America, and Japan) are becoming more similar. The Triad country's six hundred million consumers, whose GNP combine equal over forty-five percent of global output, purchase over 85% of all computer and electronic products. Multinational corporations have begun viewing consumers in these areas as if they were a single market. Companies such as Seiko, Sony, McDonalds, Levy's, and Honda are currently developing products for a world market with only minor modifications for local preferences. The use of the Internet should have its initial impact in these trading areas with Developing countries following close behind.

Linking marketing in international business through channels such as the Internet is neither new nor untried. Simon and Grover (1993) adapted the work of Prahalad and Doz (1987) to provide examples of organizations representative of various market situations. These firms choose their strategies based upon their mission, goals, abilities, resources, and competitive advantages. Thus, a firm must often balance a set of conflicting pressures to achieve a position acceptable to the organization and its clients. While at first glance it may appear that the Web has enormous marketing potential, few marketers have been successful. Others have proved extremely unsuccessful and have withdrawn their Internet marketing entirely (Williamson, 1995). Some firms have expressed limited success based upon providing real-time dialog to clients (Maglitta, 1995).

This paper looks at forces affecting organizations who seek to market their wares through the Internet and develops a set of propositions for Web marketing and commerce based upon three powerful forces. We have begun with the model developed by Prahalad and Doz (1987) which opposed two constructs: local response pressure and global integration pressure. We have added to the Prahalad and Doz (1987) model by including a component called external control pressure which is the extent to which organizations have their operations controlled by governments, government sponsored or controlled competitors, and other special interest groups. For example, in Japan many firms can not effectively compete with Japanese firms due to advantages provided these competitors by the Japanese government. While each of the three constructs can be seen as a continuum from little pressure to extreme pressure, we are restricting this paper to those firms who either experience high or low pressure across each construct. Firms who are not at these extremes will obviously have trade-offs to consider, and hence will fall into more than one category.

Case1: Organizations falling into this case must respond to strong pressure from a variety of industry and environmental forces. There is strong pressure from some industry forces to strategically organize the firm's resources worldwide. However, this is opposed by other forces which compel the organization to recognize and service local markets and industries. A third consideration is the presence of a strong and powerful control mechanism which specifies what the firm may and may not do in communicating with their customers. Such a group may be a government as in the U.S. Telecommunications Bill of 1996 or in the strong desire of governments such those of as Singapore, Malaysia and China who wish to control the viewing of their citizens. Given such a situation of conflicting pressures, these organizations will be forced to customize its offering to the customers in each locale due to external pressure, even though there are organizational benefits to being globally integrated.

P1: When local response pressure, global integration pressure, and external control pressure are high, firms will seek to standardize offerings within countries, but may be forced to diversify across national boundaries.

Case 2: In this case, there is again a strong conflict between the organization's need to globally integrate for resource utilization maximization and deployment balanced against pressure to respond to local markets or their segments. Organizations falling into this case are not, however, forced to deal with a strong external control mechanism. These firms must choose between maximizing organizational returns from global integration versus local responsiveness, and will direct their advertising, promotion, and sales effort accordingly. The presence of an external control mechanism may initially be weak, as is the case in the United States and some European countries. However, these organizations may be forced into Case 1 should these mechanisms be put in place as some fear will occur with legislation such as the Telecommunications Bill of 1996.

P2: When local response pressure and global integration pressure are high, and external control pressure is low, firms will decide to standardize or to diversify based upon return maximization from global integration versus local responsiveness.

Case 3: Case 3 shows a situation whereby organizations have a strong pressure to service local interest groups and market segments, but may be restricted in their level of service by a strong external pressure mechanism. Firms may, however, attempt to push the pre-set boundaries defined by the control mechanisms to allow more diversification than is expressly allowed. Such strategies may allow the firm more flexibility in reaching various consumer groups, but would expose the firm to higher risk of sanction by the controlling mechanisms.

P3: When local response pressure and external control pressure are high and global integration pressure is low, firms will diversify their offering to market groups and will seek to expand the boundaries of acceptable practices. Such firms will be subject to higher incidence of sanction.

Case 4: This case is typified by what Prahalad and Doz (1987) called "locally responsive firms". These companies will desire diversification of product offerings to satisfy various user groups and market segments which are present in the customer base. They will offer diverse offerings to well defined market segments as currently happens in the United States with niche marketing to various demographic groups.

P4: When local response pressure is high, and external control pressure and global integration pressure are low, firms will employ niche marketing and product diversification to be locally responsive.

Case 5: Case 5 represents organizations who experience conflicting forces with their desire to standardize globally while being forced to confirm to external control mechanisms within the host country or market. Such firms will consider external control mechanisms when developing their marketing plans, but will also resist changing the plans once they are developed. Firms who manage to develop a strategic fit with these markets will enter all similar new markets, and will become firmly entrenched, preventing new entrants.

P5: Firms subject to high global integration pressure and external control pressure, and low local response pressure will modify their marketing plans as little as possible and will select new markets which closely match their plan requirements.

Case 6: This case represents organizations who can concentrate solely upon being what Prahalad and Doz (1987) called globally integrative since there is high global integration pressure but low levels of local response pressure and external control. There is a low level of diversity in the target market segments, or the goods are standard commodities which may not benefit from marketing diversification. Such firms can offer a standardized product throughout their operations, as McDonalds and Coca Cola have done.

P6: Firms experiencing high global integration pressure and low levels of local response pressure and external control will be driven to become completely globally integrated.

Case 7: Firms typified by Case 7 are restricted by a strong set of external control mechanisms but do not experience strong pressure to be locally responsive or globally integrative. As such, these firms will be able to develop strategies to maximize profit based solely upon organizational preferences or standardization or diversification in the markets they select, providing the external constraint mechanisms are not violated.

P7: Firms experiencing high external control mechanisms but low levels of global integration and local responsiveness pressures will develop strategies to adapt to imposed control mechanisms in their chosen target markets.

Case 8: The final case represents firms which operate in a situation where the organizations can virtually do as they please. There are no prohibitive external control mechanisms and no demands to completely diversify or standardize. These organizations will be subjected to intense competition to acquire market share since there are few barriers to new entrants. As a result, there will be many new entrants, and a large number of failures.

P8: Firms experiencing low levels of global integration, local responsiveness, and external control pressures will be subject to intense competition with high incidence of firms entering and leaving the market.

References avaliable upon request.