European Journal of Business and Management
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
Vol.8, No.5, 2016
www.iiste.org

# Factors Affecting International Marketing Strategies: Pricing, Channel Structures and Advertising

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**Abstract**

This paper examined the basic factors that affect price in any market and the factors that influence channel structures and strategies, as well as the debate over standardisation and localisation of international advertising. Price is one of the key elements of the marketing mix. As in any domestic market, pricing is central in international market. The paper discussed some of the basic factors that affect pricing decisions in international market, including cost, price elasticity of demand, competition, nature of products and exchange rate fluctuations. The paper also analysed some of the key variables that influence global channel structures and strategies, including characteristics of the global distribution system, product characteristics and competitive climate. Although the debate of “standardisation versus localisation” of international advertising has been on since the early 1960s, there is still no end in sight to the debate. The study also analysed the three schools of thought that have emerged from the debate, including the compromise school of thought and the assumptions and benefits put forward by each school of thought.

**Keywords:** Channel structure, distribution channel, pricing, advertising, standardisation, localisation, adaptation, international marketing, contingency approach

## 1. Introduction

Since the introduction of the concept of Marketing Mix in the early 1960s by Professor Neil Borden of the Harvard Business School, pricing has been an important factor in both domestic and international marketing. According to McCarthy (1964), a contemporary colleague of Professor Borden at the Harvard Business School, pricing is one of the key elements of the Marketing Mix. At the domestic level, pricing is central to the survival of Multinational Companies (“MNCs”); it is even more crucial at the international level as global marketers contend with issues of trade barriers, longer distribution channels, multiple currencies and additional cost considerations (Cavusgil, 1996). These issues have prompted global marketers to take several factors into consideration in their pricing decision making process. Some of the factors include: cost; price elasticity of demand; competition; nature of products or industry; exchange rate fluctuations; distribution system; location of production facility; location and environment of the foreign market; and government regulations in the foreign market.

The role of the distribution channel which is commonly referred to as “place” in the 4Ps of Marketing Mix cannot be over-emphasised. The role of distribution channels to MNCs is to provide the means of delivering the product to the consumer or end-user at the right time, place and quantity, at a minimum cost (Bucklin as cited in da Silva, 2008). There are peculiar constraints associated with global channel selection such as the availability of middlemen with good knowledge of foreign markets, consumer dispersion and product characteristics (da Silva, 2008). Insofar as these constraints remain prevalent, global marketers would continue to give key consideration to the factors that influence global channel structures and strategies. Some of the key factors that influence channel structures and strategies available to global marketers include: characteristics of the global distribution system; product characteristics; market or consumer characteristics; competitive climate; company factors; and government regulations and local customs.

The issue of international advertising standardisation deals with whether or not advertising should be standardised worldwide. Although the debate of “standardisation versus adaptation” or “globalisation versus localisation” was popularised by Levitt (1983), standardisation of international advertising strategy was brought up two decades earlier by Elinder (1961). Advertising standardisation versus localisation debate has received more attention from global marketing researchers over the past half-century, particularly from the 1960s than any other element of the marketing mix (Ford et al., 2011; Harris, 1994; Laroche et al., 2001; Zou, 2005). To date the literature is split with regard to the advertising standardisation versus localisation debate. One group of researchers supported absolute standardisation (Bronfman, 1969; Elinder; 1961, 1965; Fatt, 1964, 1967; Rau and Preble, 1987; Roostal, 1963; Ryans, 1969; Wills and Ryans, 1977), while another group supported localisation (An, 2007; Cateora and Graham as cited in Zou and Volz, 2010; Kanso, 1992; Kanso and Nelson, 2002; McCarthy and Perreault as cited in Onkvisit and Shaw, 1987; Mueller, 1987; Nielson, Leighton, Lenormand, Reed, Lipson and Lamont as cited in Onkvisit and Shaw, 1987; Shoham, 1996; Tansey et al., 1990). A third group supported the compromise approach (Buzzel, 1968; Duncan and Ramaprasad, 1995; Dunn, 1976; Hite and Fraser, 1988, 1990; Jain, 1989; Keegan, 1969; Link, 1988; Miracle, 1968; Moriarty and Duncan, 1990; Onkvisit and Shaw, 1987, 1999; Peebles et al., 1977, 1978; Roth, 1995; Sandler and Shani, 1992; Taylor, 2002; Taylor and Johnson, 2002; Walters, 1986). The interest in this controversial topic continues to be as interesting and great as ever.

The objective of this paper is to review and examine the aforementioned marketing strategies, including pricing strategies, channel structure strategies and advertising strategies. The first section would discuss the basic factors that affect pricing in any market, while the second section would focus on the factors that influence channel structures and strategies available to global marketers. The third and last section would discuss the standardisation versus localisation debate with regard to international advertising.

## 2. Factors that Affect Global Pricing Decisions

The role of pricing in international business cannot be over-emphasised. MNCs that market their products internationally must decide what prices to charge in the different markets (countries) in which they operate (Kotler and Armstrong, 2012) and global marketers must understand the factors that affect the pricing decisions they make (Tanner and Raymond, 2012). Researchers have argued that pricing has played a critical role in consumer buying behaviour and decision making process (Musonera and Ndagijimana, 2008; Myers, 1997; Reichard, 1985). Cavusgil (1996) posited that global managers appreciate the critical role prices play in international marketing success. After all, price, as a special element in the marketing mix, has a measurable impact on sales, directly affects revenue and a key lever of profitability (Cavusgil, 1996; Eugster et al., 2000; Marn et al., 2003). According to Marn and Rosiello (1992), one of the fastest and most effective ways for a MNC to realise its maximum profit is to get its pricing right. To get pricing right, global marketers must understand the critical global marketplace variables that affect global pricing decisions. Some of these variables include: cost; price elasticity of demand; competition; nature of product or industry; exchange rate fluctuations, distribution system; location of production facility; location and environment of the foreign market; and government regulations in foreign markets.

### 2.1 Cost

In pricing a product, cost is a key consideration. According to Kotler and Armstrong (2012), costs play a significant role in setting international prices. For many global marketers and their MNCs, the starting point for setting products' prices is to determine the cost of production as well as the cost of getting products to their global customers. In determining the total cost of production due consideration should be given to fixed costs such as rent, salaries and insurance as well as variable costs such as advertising. Thus, MNCs should be able to recover all costs associated with the product, including international customer costs such as transportation and marketing expenses (Musonera and Ndagijimana, 2008). In order to ensure that whatever price global customers pay must exceed the total cost of getting the product to the global marketplace, the global marketer must be diligent in computing total costs, otherwise, the MNC will lose money.

### 2.2 Price Elasticity of Demand

In taking global pricing decisions, it is important for global marketers to have a firm understanding of the concept economists call "price elasticity of demand", which relates to how price changes impact the market demand for a product, ceteris paribus (i.e. "all things being equal" or "all other variables held constant"). In other words, price elasticity of demand measures the responsiveness of the quantity demanded to a change in price (Baye, 2010; Nicholson and Snyder, 2012). On the one hand, if the demand for a global product is inelastic, the MNC can fix a high price. On the other hand, if the demand for the global product is elastic, the MNC may have to fix a lower price. Global marketers can use this measure to determine the quantity impact of price hikes or cuts on sales, revenues and profits of MNCs.

### 2.3 Competition

How competitors price and sell their products will have a tremendous effect on a MNC's pricing decisions (Tanner and Raymond, 2012). Thus, when taking decision on pricing, global marketers and their MNCs need to evaluate the degree of competition in the international markets they sell their products. On the one hand, if there is high competition, prices may be kept low to enable the MNC effectively face the competition, and on the other hand, if competition is low, prices may be kept high. There are other competition considerations such as competitors' reactions to price changes, competitors' offerings and the competitive nature of the market, as well as whether the MNC is in a commanding position to set or dictate prices as it deems fit.

### 2.4 Nature of Product or Industry

One of the most obvious factors that influence both domestic and global pricing decisions is the nature of product or industry. If a MNC sells a specialised product with no close substitute or one with a technological edge, the MNC is likely to have price flexibility (Cavusgil, 1996). Similarly, if a MNC manufactures and sells highly customised products such as jet engines, the MNC is likely to face less price war because there are few participants in the jet engine manufacturing business. Conversely, if the MNC is involved in the sale of mass produced consumer goods with many sellers and substitutes products, the MNC would have to constantly review its pricing decisions and monitor competitors' price offerings.

The nature of the industry a MNC operates must also be taken into consideration in pricing decisions. For example, pricing in the global oil industry is largely determined by the Organisation of Petroleum Exporting Countries ("OPEC"). Thus, in Nigeria, there is not much variation in the price offerings by various Multinational Oil Companies ("MOCs") and their Local Oil Companies ("LOCs") counterparts because they all buy oil from the same global market, which is controlled by OPEC. This is also applicable to global oil prices as OPEC is a major determinant of global oil prices. Individual oil producing countries find it difficult to independently influence global oil prices unless through the OPEC mechanism of production output reduction to either maintain or increase prices during periods of falling oil prices, and vice versa. An interesting scenario that started playing out from the last quarter of 2014 in the global oil market is the influence United States is having on global oil prices as a result of its production of shale oil. According to Cavusgil (1996), a peculiar problem for MNCs in some industries has to do with the predatory pricing by aggressive competitors. For example, in the mid 2000s, the auto industry in Nigeria was in chaos as the market was flooded with variants of Korean cars, including Hyundai and Kia. This singular act caused Toyota and Honda to significantly drop the prices of their popular saloon car brands in Nigeria such as Honda Accord and Honda Civic (for Honda), and Toyota Corolla, Toyota Camry and Toyota Yaris (for Toyota).

## 2.5 Exchange Rate Fluctuations

Exchange rate fluctuations and other economic factors such as inflation, interest rate and price controls affect pricing decisions. According to Onkvisit and Shaw (2004), one major pricing problem in international trade and international business involves the currency to be used for billing purposes. Exchange rate fluctuations can have a devastating effect on the finances of MNCs, especially in developing countries where there is high volatility in exchange rates and enormous dependencies on import. In Nigeria, for example, incessant high volatility in exchange rate had caused many foreign investors to sell off their investments in the first half of 2015 to avoid further depletion of their investments. In October 2015, J. P. Morgan removed Nigeria from its Government Bond Index for Emerging Markets (GMI – EM) tracked by more than $200 billion of funds due to the restrictions on foreign exchange transactions in Nigeria and its attendant negative multiplier effect on foreign exchange liquidity. For MNCs that sell products into international markets, their marketers must not only keep close watch on the volatility of exchange rate in those foreign countries, but also edge their positions, when necessary. Cavusgil (1996) posited that MNCs that are committed to playing in international markets must be creative, pursuing different pricing strategies during different periods.

Similarly, the volatility in the cost of borrowing in some countries is very high. In Nigeria, for example, the cost of borrowing from commercial banks could be as high as 30 percent. This has negatively stunted the growth of the real sector in Nigeria. In addition, there is also the issue of government control of oil prices in Nigeria. The cost of Premium Motor Spirit ("PMS") is regulated and subsidised by the Federal Government of Nigerian. The price of PMS is fixed and all Filling Stations sell at the government regulated price. Thus, MNCs that want to venture into the oil business in Nigeria must first understand that it is a highly regulated market and they must be well prepared to face the challenges. However, it is important to mention that there are plans to liberalise the downstream sector of the petroleum industry in Nigeria.

## 2.6 Distribution System

The cost of distribution and the channel of distribution must be considered by MNCs when making pricing decisions. The choice of distribution channels that a MNC uses dictate much in international pricing, particularly export pricing (Cavusgil, 1996). Obigbemi (2010) asserted that a MNC must make a decision as to whether its products will be supplied directly to the final consumer or through the various channels of distribution available to the MNC. For products that would have to pass through the wholesaler, to the retailer and then to the final consumer, the profit of the middlemen must be considered and possibly set a standard price, so that the final price set by the retailer would not affect demand negatively (Obigbemi, 2010). Cavusgil (1996) also posited that if a MNC is able to distribute its products through its own foreign subsidiaries, it would have greater control over final prices, including the ability to swiftly adjust prices. Multinational companies often attempt to establish more direct channels of distribution for reaching their customers in foreign markets. Direct selling to end users using online platforms has significantly aided MNCs access to wider international markets and global customers.

## 2.7 Location of Production Facility

Decisions regarding the location of production facilities are also crucial for global marketers and their MNCs. Cavusgil (1996) posited that many MNCs only participate in the global market only by exporting products they manufactured or produced in their home countries. He further stated that when production facility is only sited at the home country, the MNC is tied to the conditions prevailing in its home country, a circumstance that would reduce the MNC's pricing flexibility in its international markets. Thus, in order to mitigate against fluctuations in prices as a result of natural disasters, political violence, severe economic conditions or trade embargoes on the home country, MNCs must make an effort to decentralise their production facilities. In addition, decisions should be made as regards the extent to which the production facilities should be decentralised.

### 2.8 Location and Environment of the Foreign Market

Decisions regarding the location and environment of the foreign market must also be considered when pricing decisions are made. In the global automotive industry, car makers now produce cars that are fit for specific regions. For instance, most cars produced for Nigeria are designed for temperate regions. There might be some pricing implications for customisations.

### 2.9 Government Regulations in the Foreign Market

Laws and regulations have a tremendous effect on pricing decisions; hence, they need to be considered while fixing products' prices for foreign markets. According to Tanner and Raymond (2012), laws and regulations are designed to protect consumers, promote competition and encourage ethical and fair business conduct. Aside from government laws and regulations that prohibit unfair pricing techniques, country-specific tax policies can have an effect on how a MNC price its products. Governments in some countries also establish price regulatory frameworks that place ceiling, which is popularly known as price control, on the prices of certain products that such governments have interest in.

## 3. Factors that Influence the Channel Structures and Strategies Available to Global Marketers

The distribution channel is a critical factor in the movements of products from the home market to the target market. According to Onkvisit and Shaw (2004), all products require competent distribution. Distribution channels are systems that link manufacturers to consumers (Keegan and Green, 2013). According to Whalley (2010), distribution channels consist of a set of institutions which perform all of the activities utilised to move a product and its title from production to consumption. Egede (2013, p. 42) posited that distribution channel "is the strength of product exchanges involving movements of products from the sources of origin to various strategic market locations." From an international marketing perspective, distribution channels are the link between a MNC and its customers in markets around the world (Kotabe and Helsen, 2010). Due to the criticality of the distribution channel, global marketers need to devote adequate time and resources in nurturing it.

Distribution channel decisions can result in the success or failure of the products of MNCs. According to Tanner and Raymond (2012), distribution channel decisions are as important as the decisions MNCs make about the prices and features of products. Carr (2013) asserted that one of the crucial elements in global expansion is the distribution channel strategy. Thus, it is essential for global marketers and their MNCs to carefully consider those factors that influence distribution channel structures and strategies. Some of those factors to be taken into account include: characteristics of distribution system; product characteristics; market or consumer characteristics; competitive climate; company factors; and the foreign market's government regulations and local customs.

### 3.1 Characteristics of the Global Distribution System

The characteristics of the distribution system play an influencing role on channel decisions. The channels of distribution a MNC uses is mostly dictated by the characteristics of the distribution system prevalent in either its home country or the foreign markets it intends to sell its products. These characteristics may include, amongst others, direct/indirect channel, cost of channel, availability of middlemen, attitude of middlemen (i.e. wholesalers, agents, and retailers) and the quality of service provided. In some cases, the distribution channel favoured by the industry of the MNC is also a key determining factor. The industry the MNC operates may favour direct or indirect channels, as well as single or multiple channels. Direct sale to end users is favoured in many industries, especially those that supply high-price image products such as large technological equipment or systems (Cavusgil, 1996; Onkvisit and Shaw, 2004). Some MNCs distribute products directly to end users through their respective overseas subsidiaries. Online distribution has also become a major channel of distributing products that do not require physical inspection directly to consumers globally. For example, a car owner in Nigeria can directly purchase chrome spinner wheels from a manufacturer in the United States of America through the manufacturer's website.

In contrast, some MNCs distribute products through one or more intermediaries (agent, wholesaler, retailer, etc.). Sellers of consumer goods tend to favour multiple channels of distribution, including B2B (business-to-business) and B2C (business-to-consumers).

### 3.2 Product Characteristics

Another important variable influencing channel structures and strategies is product characteristics. Onkvisit and Shaw (2004) asserted that the choice of a channel should be driven by the type of product. Product characteristics include, amongst others, industrial/consumer products, perishable/non-perishable products, low-price/high turn-over products, high-value /low-turnover products, standardised/non-standardised products, technical/non-technical products, after-sales service, time of consumption, size and weight, products made to order, and newness and market acceptability. For instance, when the product being sold by a MNC is a consumer product, an indirect channel of distribution, such as wholesale, retail, is most suitable because of the large number of customers. Similarly, for low-priced, high-turnover convenient products, MNCs should pursue indirect channels that would allow for extensive distribution (Onkvisit and Shaw, 2004). However, for high-value, low-turnover specialty goods, MNCs can shorten and narrow the distribution channels (Onkvisit and Shaw, 2004). For instance, in the case of a MNC that sells industrial products, a direct channel of distribution is useful because of the relatively small number of customers and the need to give them special attention and personalised treatment.

For products that were newly introduced into the market, there is usually a need for aggressive selling effort. Thus, indirect channels such as wholesalers and retailers may be used to reach a geographically dispersed and a wider market. Non-standardised products (i.e. products made to order) could be sold directly, while standardised products could be sold off by middlemen such as wholesalers and retailers.

### 3.3 Market or Consumer Characteristics

Another critical variable influencing channel structures and strategies is the market or consumer characteristics. Onkvisit and Shaw (2004) asserted that the number of international customers and their location must be taken into consideration in channel decisions. The channel structure is influenced by market or consumer characteristics, including, consumer buying habits, location of market, size of order and number of customers. A MNC with a large number of customers is more likely to use middlemen than another MNC with a relatively small number of customers. A MNC with a smaller number of customers would more likely indulge in direct sales. Similarly, MNCs that deal with bulk supply orders are more likely to utilise more extensive distribution channels than those that receive piecemeal purchase orders or orders in smaller quantities. In addition, when the customers are localised or concentrated in a geographical area, direct selling would be quite useful. On the contrary, if the customers are spread over a wide geographical area, the channel of distribution with middlemen is more suitable. For a customer who desires personal services of a MNC (buying habit), a shorter distribution channel would be recommended. On the other hand, if a customer is less concerned about personalised services, the MNC could deliver the desired services through the help of middlemen.

### 3.4 Competitive Climate

The competitive climate is a key variable that influences channel decisions. Most MNCs would prefer to use similar types of channels being used by competitors. Thus, it is important for a MNC to bear in mind the distribution channel of competitors when determining the channel to be utilised to sell its products. However, some MNCs may want to be more innovative by exploring alternative channels such as online or drive-through (drive-thru) services. For example, fast food chains such as McDonald's and KFC in the United Kingdom have created drive-thru option for their customers. With such option, customers can purchase fast foods from the comfort of their cars. In practice, once a MNC takes the innovative path to create an idea, sooner than later, competitors would replicate same, especially if the innovation was successful.

### 3.5 Company Factors

Another crucial variable influencing channel decisions is the company's own characteristics. Such characteristics would include financial strength, company size, marketing policies, value attached to reputation, product mix and past channel experience. For instance, a MNC that is financially buoyant may be more interested in distributing its products through direct channels, whereas a MNC that is financially weak would most likely opt for indirect channels such as wholesalers, agents and retailers.

### 3.6 Government Regulations and Local Customs

Government regulations in foreign markets must also be considered when channel decision is being made. According to Onkvisit and Shaw (2004), a country may have regulations and laws that prohibit the use of particular channels or middlemen. In other words, there could be some level of restrictions imposed by governments of foreign markets that could influence channel decision. Such restrictions could come in the form of taxation, labour laws and environmental laws. For instance, foreign governments may introduce laws or regulations that may prevent channel arrangements that tend to lessen competition (i.e. encourage monopoly) and discourage local participation. France, for example, prohibits the use of door-to-door selling (Onkvisit and

Shaw, 2004).

Local business practices, whether overt or covert, can interfere with efficiency and productivity and may force a MNC to employ a channel of distribution that is longer than desired. Japan, for example, has a multi-tiered distribution system, which relies on numerous layers of middlemen (Onkvisit and Shaw, 2004). Thus, MNCs that do business in Japan often find it necessary to form a joint venture with Japanese companies.

## 4. Standardised versus Localised Advertising Strategy

Since the early 1960s, the debate over the standardisation versus localisation of advertising has received much attention from researchers (Elinder, 1961, 1965; Fatt, 1964, 1967; Ford et al., 2011; Green et al., 1975; Harris, 1994; Jain, 1989; Kanso and Nelson, 2002; Laroche et al., 2001; Onkvisit and Shaw, 1987, 1994, 1999, 2002, 2004, 2009; Roostal, 1963; Ryans and Donelly, 1969; Zou, 1997, 2005; Zou and Volz, 2010). In the course of the heated and protracted debate, three schools of thought emerged, each holding on tenaciously to its position. The three schools of thoughts that emerged are: the standardisation school of thought; the localisation school of thought; and the compromise school of thought (Agrawal, 1995; Melewar and Vemmervik, 2004; Onkvisit and Shaw, 1987, 1990; 1999, 2004, 2009). The next few sections would be used to discuss the aforementioned schools of thought.

### 4.1 The Standardisation School of Thought

The standardisation school of thought, which is sometimes referred to as the "internationalised," "universal," "uniform," "common," or "globalised" school of thought, advocates for a standardised advertising approach. Standardised international advertising is the practice of launching the same advertising campaign in the same way across all markets worldwide (Onkvisit and Shaw, 1987, 1999, 2004, 2009; Papavassiliou and Stathakopoulos, 1997). Proponents of this approach have been making a compelling case over the last half-century for MNCs to embrace the practice of launching the same advertising campaign in the same way across all national markets in which they operate (Elinder, 1961; Fatt, 1967). The argument of this school of thought is premised on some basic assumptions which shall be subsequently discussed.

A key assumption held by this school of thought is the homogeneity of the markets. Proponents of the standardised approach argued that the focus must be on the similarities of buyers and consumers across world markets (Fatt, 1967; Levitt, 1983). According to Green et al. (1975), the standardisation school of thought believed that all people share the same basic needs and motivations and, as a result, advertising campaigns which are built around these needs and motivations can utilise a universal appeal. Proponents of this approach argued that even when people are different their basic psychological and physiological needs were assumed to be largely the same. Thus, as a result of the underlying assumptions, the advertising success factor was hinged on motivation patterns rather than geography (Bronfman, 1969; Elinder, 1961; Fatt, 1967; Levitt, 1983; Roostal, 1963). Elinder (1961) argued that MNCs that begin marketing with a country-by-country appeal is about as sensible as stopping a factory in a MNC's home country and setting up production in a number of small national factories producing their own national products in short series after their own recipe. In addition, proponents of the standardisation approach assumed that because of better and faster communication, there is a convergence of culture, language, religious beliefs, tastes and preferences, thoughts and media availability. In other words, advocates of this approach do not recognise the existence of cultural, language, environmental and religious differences, as well as customer heterogeneity across countries.

Advertising standardisation has quite a number of benefits which make it an attractive strategy for MNCs. Advocates of the advertising standardisation approach believed that MNCs would enjoy certain benefits regarding advertising, including ease in execution, decision simplification, operational efficiency, cost reduction, uniform and consistent brand image and consistency in customer service. Duncan and Ramaprasad (1985) asserted that standardising advertising across all markets is convenient and can save money. Although the standardised advertising approach brings about economies of scale and other benefits, MNCs should exercise extreme caution in its practical application.

### 4.2 The Localisation School of Thought

The localisation school of thought, which is sometimes referred to as the "adaptation," "segmentation," "individualisation," "specificity," or "customised" school of thought advocates for a non-standardised advertising approach. Localised or adapted international advertising is the practice of launching separate advertising campaigns in different countries or even in different regions within the same country (Onkvisit and Shaw, 1987, 2004, 2009; Papavassiliou and Stathakopoulos, 1997). This school of thought argued that people are different from one country to another. Proponents of this approach also argued that differences exist amongst countries and suggested that advertising approaches in each country should take these differences into account (Kanso and Nelson, 2002; Kotler, 1986; Lenormand, 1964; Marquez, 1975; Mueller, 1987; Tse et al., 1989; Unwin, 1974). Some of these differences include culture, language, customs, mentalities, religious beliefs, tastes and preferences, stage of economic and industrial development, philosophy, literacy rates, legal restrictions, living conditions and standards, family patterns, media availability, traditions and product dissimilarities (Britt, 1974; Lenormand, 1964; Nielsen, 1959; Onkvisit and Shaw, 2015). The proponent of advertising localisation further advised MNCs to embrace a multi-cultural outlook, adapting advertising campaigns to meet the cultural and environmental dictates of each foreign market in which they operate. According to Lenormand (1964), cultural barriers to the common approach to advertising are insurmountable. The argument of the localisation school of thought is premised on some basic assumptions which shall be subsequently discussed.

The basic assumption held by this school of thought is the heterogeneity of the markets. In other words, advocates of the localisation approach do not recognise the existence of homogenous global or regional customer segments. This school of thought argued that MNCs must take particular note of the differences amongst countries and consider barriers such as language, religion, taste and preference, availability, culture, media and other economic considerations (McCarthy and Perreault as cited in Onkvisit and Shaw, 1987; Nielson, Leighton, Lenormand, Reed, Lipson and Lamont as cited in Onkvisit and Shaw, 1987). Given these aforementioned considerations, it becomes necessary for MNCs to deploy specific advertising campaigns to achieve maximum impact in local markets.

Advertising localisation has quite a number of benefits which make it an attractive strategy for MNCs. Hite and Fraser (1990) posited that the major benefit of applying advertising localisation approach is to create a differential advantage through domestic sensitivity and increased communications effectiveness. Furthermore, Onkvisit and Shaw (1990) asserted that the main benefit of applying advertising adaptation approach is to create a differential advantage through the adaptation of the advertisement campaign to gain maximum effectiveness in terms of response and sales. Other benefits identified by the author include easy acceptability, expedited local business development, responsiveness to local needs and market, ease in execution, enhanced local content and good relationship with foreign governments. On the other hand, Melewar and Vemmervik (2004) posited that adapting advertising campaigns to each market would result in increased costs and decrease the possibilities to create synergies. The author is of the opinion that MNCs that favour the localisation approach must take particular note of the differences amongst the various markets they launch their advertising campaigns.

### 4.3 The Customise School of Thought

The customise school of thought, which is sometimes referred to as the "contingency," "situational," or "moderate" approach advocates for a "middle-of-the-road" or middle-ground approach to international advertising. Although advocates of the compromise approach recognised that there are local differences, they however believe that some degree of advertising uniformity is possible and even desirable (Dunn, 1976; Harvey, 1993; Jain, 1989; Keegan, 1969; Keegan et al., 1988; Melewar and Vemmervik, 2004; Miracle, 1968; Onkvisit and Shaw, 1987, 1990, 1999, 2004, 2009; Peebles, 1988; Peebles et al., 1977, 1978; Ryans, 1969; Taylor, 2002; Taylor and Johnson, 2002). The middle-of-the-road approach to international advertising is the practice of standardising certain aspects of the advertising campaign while at the same time adapting other aspects to different market conditions (Buzzel, 1968; Harvey, 1993; Light, 1990; Peebles et al., 1977; Papavassiliou and Stathakopoulos, 1997; Quelch and Hoff, 1986). In other words, proponents of this approach believe that neither complete standardisation nor complete localisation is sufficient and that a more effective advertising strategy and tactics using a combination of the two approaches should be developed after a careful evaluation of the possible variables that could affect advertising effectiveness in the countries of operation (Harvey, 1993; Melewar and Vemmervik, 2004). Hence, the customise school of thought posited that the appropriateness of this approach will vary based on the situation and will depend on the type of product, environmental factors and consumer characteristics, (Buzzel, 1968; Cavusgil et al., 1993; Harvey, 1993; Jain, 1989; Kotler, 1986; Onkvisit and Shaw, 1994, 1987, 1999; Walters, 1986). Another variant of this school of thought is the continuum perspective.

Several advocates of the contingency approach to international advertising do not believe in viewing standardisation and localisation as either/or decision. Rather, they place both approaches on a continuum in terms of the extent to which their practical applications are either standardised or localised (Hite and Fraser, 1988; Link, Papavassiliou and Stathakopoulos, 1997; Sandler and Shani, 1992). Onkvisit and Shaw (1990, 2002) and Sandler and Shani (1992) asserted that the difference between standardisation and adaption is in degree, rather than in kind and that the difference between both approaches should be seen as a continuum. This view is supported by Link (1988) who argued that MNCs can be placed on a globalisation continuum and Duncan and Ramaprasad (1985, p. 55) who stated that the standardisation versus adaptation debate is no longer either/or, but "In what situations and to what extent should multinational advertising be standardised?" Moriarty and Duncan (1990) and Papavassiliou and Stathakopoulos (1997) also called on MNCs to view standardisation as a continuum, not a dichotomy. In light of the foregoing, international advertising decisions can be viewed on a continuum with one polar end of the continuum being absolute advertising standardisation (the right side) and the other end being absolute advertising localisation (the left side). The extreme left is occupied by MNCs that practice total adaptation, while the extreme right is occupied by MNCs that practice total standardisation. In the middle are MNCs that increasingly standardise advertising campaigns, but still adapt to local differences. Thus, MNCs need to determine what degree of adaptation is most appropriate in different situations.

Finally, the author is in favour of the compromise school of thought. The message conveyed is that the compromise school of thought is the effective approach in an international marketing environment characterised by significant heterogeneity. The effectiveness of this approach is due to the fact that the compromise approach does not only recognise local differences, but also some degree of advertising uniformity is not only possible but also desirable.

## 5. Conclusion

Price is one of the key elements of the marketing mix. As in any domestic market, pricing is central in international market. The paper discussed some basic factors that affect price in any market, including cost, price elasticity of demand, competition, nature of products or industry, exchange rate fluctuations, distribution system, location of production facility, location and environment of the foreign market and government regulations in the foreign market.

The role of channel in both domestic and international markets is well established. As in domestic market, international market requires a marketer to make crucial channel decisions. Some of the key factors that influence global channel structures and strategies were discussed. The key factors include characteristics of the global distribution system, product characteristics, market or consumer characteristics, competitive climate, company factors, and government regulations and local customs.

Although the debate of "standardisation versus localisation" of international advertising has been on since the early 1960s, there is still no end in sight to the debate. The paper analysed the three schools of thought that have emerged from the debate and the assumptions put forward by each school of thought. The author also discussed the benefits of each approach. The three schools of thought are: the standardisation school of thought ("globalised" approach); the localisation school of thought ("adaptation" approach); and the customise school of thought ("contingency" approach). The author aligned with the compromise school of thought because it does not only recognise local differences, but also some degree of advertising standardisation.

Finally, this study was theoretically oriented, thus, empirical studies to explore the under listed topics, which this paper was centred on, is recommended:

- factors that affect global pricing decisions;
- factors that influence distribution channel structures and strategies; and
- Standardisation versus localisation of advertising strategy.

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