Standardization & Adaptation in E-commerce: Re-imagining Marketing Models

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In international marketing, the traditional business debate over whether a company should standardize or adapt its marketing strategy has been on-going for 50 years, however, in the e-commerce realm research is only just emerging and is primarily limited to the US (Amit & Zott, 2001; Karavdic & Gregory, 2005; Kotha, Rajgopal, & Venkatachalam, 2004; Singh & Kundu, 2002; Wu, Mahajan, & Balasubramanian, 2003) aside a more recent study from Sweden (Göransson & Sahlquist, 2013). The purpose of this paper is to critically review the literature on standardization versus adaptation, as it relates to e-business performance and globalization, in light of the claim “The multinational and the global corporation are not the same thing. The multinational corporation operates in a number of countries and adjusts its products and practices in each – at high relative costs. The global corporation operates with resolute constancy – at low relative cost – as if the entire world (or major regions of it) were a single entity; it sells the same things in the same way everywhere” (Levitt, 1983).

This paper will synthesize and assess current research, including fundamental challenges that continue to be highlighted since marketing is amidst a profound paradigm shift (Achrol and Kotler, 2011; Reibstein, Day, Wind, 2009; Malhotra and Peterson, 2001; Hamill, 1997). This paradigm shift is a result of digitization, rapid technological advancements like e-commerce and globalization. From an internationalization perspective, e-commerce and its ability to overcome the temporal and spatial barriers to cross-border commerce confounds many of our current traditional models (4P's) of marketing. Fifty years of research, fragmented and often contradictory, relies on the 4P marketing mix model (McCarthy, 1960) and continues to fail managers and decision-makers (Schmid & Kotulla, 2011). Despite this, the prevailing 4P marketing mix model continues to be the most used marketing model on which businesses formulate marketing strategy including international strategy and, more recently, e-commerce strategy (Allen & Fjermestad, 2001). Against the backdrop of internationalization, globalization, digital marketing and e-commerce one starts to question - are the 4P’s past their sell-by date? Is the 4P marketing mix model robust and dynamic enough to facilitate business strategy in an increasingly globalized world, including the virtual, with the emergence of the new global customer? (Yamin, & Sinkovics, 2006)

By launching websites, companies virtually and instantaneously enter multiple foreign markets. Increasing internationalization of businesses in the past decade can be attributed in part to the e-commerce capability. Companies must adapt to the digital era as internet marketing, and social media have significantly impacted the way consumers behave and companies do business. More than ever, companies and managers face the challenge of creating integrated marketing strategies that include the optimal balance of standardization and adaptation in both traditional and virtual arms of their businesses. However, quality research is needed to better understand and conceptualize the landscape of virtual and traditional marketing (Todor, 2016).

Credited with coining the term “globalization,” Levitt, a Harvard business scholar, inspired organizations to rethink their business strategies and consider standardization as key to profitability and sustained competitive advantage with his seminal paper "The Globalization of Markets" (1983). Levitt’s article had a lasting impact on businesses in general during the 1980s, 1990s, and 2000s – the age of mass marketing. His influence, widely seen, has had an extreme focus on internal company variables and a high product focus (millions of average products for average people) with communications and marketing disseminated through mass push interruption marketing – tv ads, coupons, radio, point-of-sale incentives, magazine ads, etc.

The “factory mindset” of selling the most products to the greatest amounts of people at a reasonable price is what has brought us millions of standardized products from companies like Revlon, McDonald's, Unilever or Proctor and Gamble, for example. Embedded in this manner of business was and is the tendency to disregard the faculties of the consumer, as Levitt (1983) purports “... never assume the customer is a king who knows his own wishes”. Some call that phase in our history the TV industrial complex (Godin, 2007). However, the age of mass interruption marketing and company-centrism is not producing the results it once did, and as for Levitt's standardization ideal, research fails to conclusively confirm that standardization across all 4P's is linked to performance. Traditional marketing has become more expensive and less effective over time.

More importantly, however, is that the customer has evolved since the 1980s and 1990s – as globalization continues to transform the business environment, it follows that consumer behaviour and expectations have also evolved. Consumers, increasingly embedded in the virtual marketplace have taken us in a radically different direction than the one Levitt understood during the TV industrial complex. From "average products for average people," consumers are increasingly searching for meaning in the products they buy and the services they use creating global niche markets. Also, the current global marketplace is much more service- and experience dominated, as opposed to product-focused where information actually “is” the product. The online space is a highly interactive one, of increasing segmentation, niche domination, and mass-customization. In addition, these same consumers have shorter attention spans (McSpadden, 2015), higher expectations (Meehan,2015), increased negativity and mistrust biases (Darke & Ritchie, 2007), cognitive dissonance, choice overload (Iyengar, Lepper & Diener, 2000), and ad-blindness (Ashish Kumar Singh & Potdar, 2009).

Levitt’s arguments for standardization are fundamentally contingent on the cost of doing international business, along with his personal, generational bias. His principal tenet is that business profitability and competitive advantage hinges on the ability to produce and manufacture large quantities at low costs without consideration to the consumer. However, virtual online e-commerce has substantially reduced the cost of doing global business with its unprecedented reach concerning the number of people that can be addressed quickly and cheaply. This is in part due to the liberalization of trade and advances in transportation and information technology.

Aside from decreased costs, there are ever-increasing consumer behavioural adaptations, including a willingness to engage in e-commerce transactions, as is demonstrated by the expansive growth of e-commerce revenues (EMOTA, 2012). E-commerce and related internet communication technologies (ICT) enhance various aspects of localization in creating tighter connections and language links to local foreign customers and suppliers. With over $3.2 trillion in revenues, e-commerce continues to demonstrate that web-presence and web experience are crucial in terms of improving international marketing efforts (Vivekanandan & Rajendran 2006), and overall business success.

Increasingly, scholars and marketing theorists have attempted to conceptualize e-commerce in the context of standardization versus adaptation and how the new medium fits into the traditional perspectives of internationalization (Bell, 1995; Petersen & Welch, 2003; Petersen, Welch, & Liesch, 2002; Allen et al., 2001). Research and analysis have continually revealed that performance and international marketing strategies are a function of “strategic fit”, otherwise referred to as the “contingency perspective” (Katsikeas, Samiee, & Theodosiou, 2006; Schmid et al., 2011). Research in this area is fragmented and sparse, making it even less well understood in the e-commerce realm. Firms, in their internationalization process, not only have to find the right approach towards globalization, standardization, and localization of both their traditional business activities in general (Bartlett & Ghoshal, 2002), they also must port this intel to their online marketing strategies.

Although standardization offers several benefits like economies of scale that can be developed at relatively lower costs and more manageable cross-border operations (Levitt, 1983; Theodosiou & Leonidou, 2003; Schilke, Reimann, & Thomas, 2009) it needs to be reviewed with other factors to predict performance. Concerning price, e-commerce leads to increased price competition and the standardization of prices as a result of the ease with which it is to price-shop. The Internet and e-commerce perhaps have the most profound impact on the place variable as purchasing decisions happen anywhere a connection exists. Large companies that had previously experienced competitive advantages through traditional vendor relationships and channels will need to re-evaluate how to establish sustained competitive advantages in the virtual economy. Promotion includes the myriad of ways an organization undertakes to communicate its products' value to consumers (Kotler, 1991). Digital marketing has become a much more cost-effective, targeted way to promote products and services compared with traditional marketing. Standardization of products in e-commerce has been studied and it has been found that standardization is an indicator of performance when expressed on the product variable (Schmid et al, 2011; Göransson et al., 2013).

Most of the research to date on the standardization versus adaptation performance link (Katsikeas, Leonidou, Morgan, 2000; Sousa, Martinez-Lopez, & Coelho, 2008) is on brick-and-mortar companies operating in the physical marketplace (Constantinides, 2002). These companies leverage the standard 4P marketing mix method, which has been heavily criticized as being severely limited in its applicability to international e-commerce and web marketing strategies in general.

In assessing the level of strategic fit, the contextual factors of regulatory environment, technological intensity and velocity, customs and traditions (macro) and customer characteristics, PLC stage, competitive intensity (micro) are identified as being critical to performance (Katsikeas et al., 2006). In addition, experiments highlighting the interrelationships among the 4P's of marketing and critical environmental variables show more conclusive evidence that there is not a "one-size-fits-all" approach that can be adopted to increase performance. Performance is shown to be related to the appropriateness of a particular marketing strategy and the extent that it is coaligned with environmental imperatives.

Other work has illustrated similar findings (Katsikeas et al., 2006; Schilke et al., 2009), suggesting that matching context in foreign markets with marketing strategy determines performance. However, research is still lacking on the virtual marketplace and the context in which e-businesses are operating in as it relates to standardization versus adaptation strategies. Research done thus far narrowly focuses on website adaptation related to cultural differences (Singh, 2009; Singh, Alhorr & Bartikowski, 2010; Göransson et al., 2013). Positive correlations have been found in several studies between website language and cultural symbol adaptation (Sinkovics, Yamin and

Hossinger, 2007; Göransson et al., 2013). There were initial high expectations that the virtual economy would create a new standardized method of communication regardless of culture; however, studies have confirmed that online consumers still need to feel culturally and contextually connected to vendors (Lim, Leung, Sia & Lee, 2004).

Constantinides' (2002) 4S Web-Marketing Mix (Scope, Synergy, System, Site) model was the first framework to completely diverge from the 4P model to elucidate e-commerce web strategies. Göransson & Sahlquist's (2013) study applied and extended Constantinides' 4S (Scope, Synergy, System, Site) model and demonstrated that the adaptation of an organization's aggregated web strategy has a negative impact on export performance where adapting Scope, Synergy and System all had a negative influence on export performance individually.

Various writers have attempted to adapt the traditional marketing mix model (Lawrence, Lawrence, Corbitt, Fisher & Tidwell, 2000, Bickerton, 1996; Karavdic et al., 2005) to the digital marketplace but, as has been discussed, the 4P model is not able to address interactivity, changing individualistic, more informed, wired and wealthier consumers (Constantinides, 2002). Furthermore, in traditional business, the 4P's are separate constructs whereas in e-commerce the 4P's are inextricably interrelated and jointly experienced by the online customer through the website. Most important though, is that the 4P model has developed as an operational tool and not a strategic one. Constantinides (2002) proposed that integrating web strategy into operational marketing strategy could offer greater flexibility and opportunity for cross-pollination amongst organizational strategic planning.

Since websites, or "web shops", are not limited to national borders and physical space, potential consumers from all over the world have the possibility to purchase. Whether the organization likes it or not, they are acting on a global market where competitors from foreign markets are competing for the same customers on each other's doorsteps. Thus, it is not enough to develop marketing strategies based on customers and market characteristics of the home market alone as research has shown, instead, there is a need to consider the potential foreign markets (Theodosiou et al., 2003). The explosion of e-commerce and the virtual economy is expected to continue to disrupt existing markets as globalization continues. The strategic fit or contingency perspective suggests that the two approaches of standardization and adaptation should not be mutually exclusive, but rather two ends of the same scale. The degree of standardization and adaptation of international marketing strategy should be found somewhere between the two (Theodosiou et al., 2003; Lages, Jap & Griffith, 2008; Schilke et al., 2009).

Levitt's view on standardization makes sense for certain companies who sell certain products in specific contexts; however, the last 50 years of research in international marketing, unfortunately, does not have much to show for its efforts. There is space for a review of existing theories in the context of e-commerce and marketing strategy. As demonstrated in this paper, research and conceptualizations are still in their infancy although there is significant evidence demonstrating higher performance when e-commerce sites are localized. Conceptualizations, models, and frameworks are still clearly needed to better understand the nuances associated with the virtual market space in an international context as they relate to localization and standardization.

Further aligned with the contingency perspective, it would be advantageous to take an integrative approach with the traditional marketing strategy development rather than consider e-commerce as separate to the business as a whole. This could serve to create greater opportunity for corporate-wide cohesion, knowledge sharing, and performance. Even Porter (2001) conveyed the importance of connecting traditional forms of doing business with online approaches in the development of marketing strategy.

Much 4P criticism has circulated over the years (Grönroos, 1997) calling for a paradigm shift and new models of marketing to address market and service economies, e-commerce, and evolving customer relationship and retention trends. Other researchers argue the new virtual world has made markets more segmented, niche-dominated and interactive, which put more emphasis on customer retention, customer service and relationship marketing (Constantinides, 2002; Schmidt et al., 2008). Border (1960) and McCarthy's (1964) mainly unchallenged 4P marketing model along with Levitt's standardization theory fail to accommodate the dynamic world and markets we currently operate in. Not only is it not applicable to the virtual economy it lacks the robustness in this globalized physical economy as well. Ideally, new marketing models that integrate both would serve the industry, academics and practitioners alike.

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