Antecedents, Policies and Practices of Promotional Standardisation Strategy: A comparison of British MNCs' and Advertising Agencies in the UK, France and Germany

The aim of this study is to provide a new insight into the “cause-effect” chain that “traditional” research on international promotional standardisation has neglected. A theory will be used as a conceptual base to formulate the research framework. This will identify key environmental and internal strategic factors as drivers and consequences of MNCs subsidiaries and Agencies’ promotional standardisation decision making which, in turn affects the level of standardisation of these promotional elements – Advertising Strategy, Sales Promotion and the impact of the Internet on Promotion.

This framework allowed the researcher to formulate further hypotheses and the design of a questionnaire to test these hypotheses and carry out the necessary empirical research and collection of primary data. 300 British MNC’s were compared across the UK, France and Germany.

The model supports the notion that there are antecedents that drive promotional standardisation. An additional contribution is that the model also looks at the impact of standardisation on promotion more fully than before and adds a valuable contribution in Internet Promotion. The study found that, on average, managers reported that Standardised Advertising Strategy and Sales Promotion is fairly high across these markets in the EU with Internet Promotion being the highest.
1) Literature review and theory development

1.1 The Framework and Hypotheses Formulation

The framework of environmental variables and strategic factors in international promotion is based on Global Marketing Strategy theory (Referred to as GMS thereafter), aims to summarise the findings from the literature review (secondary data) in a visual and comprehensive way. Zou and Cavusgil (2002) defined promotional standardisation as one of the GMS dimensions, the principle of ‘fit’ between a firm’s strategy and its environment will be applicable to promotional management (Please see Appendix I).

The impact on this level of standardisation promotion strategy is based on general promotion strategy decisions (Jobber 2007) and this is in line with the list compiled by (Zou and Cavusgil 2002) but looks at Advertising and Sales Promotion in greater depth to provide a contribution. It also includes the impact of the Internet on promotion to substantially update the model and provide the ultimate and valuable contribution. It is based on the research findings and presents the main perspectives of the different schools of thought towards Standardisation in Promotion.

This framework (Please refer to Appendix II) made possible two main stages in this research. It has allowed the researcher to formulate further hypotheses (Please see section 1.2 below). It also allowed the design of the questionnaire to test these hypotheses and carry out the necessary empirical research and collection of primary data. It consists of the variables of promotional standardisation and this conceptual model was empirically tested by a survey. This framework predicts that key environmental and strategic factors will affect the level of promotional standardisation across these 3 chosen countries.

1.2 Conceptual Framework – Hypotheses and Key Authors

H1 – The level of importance of promotional standardisation is dependent on environmental factors (Zou and Cavusgil 2002). These being: Advertising Infrastructure – (Samiee et al 2003); Market Harmonisation- (Samiee et al 2003); Level of Competition- (Samiee et al 2003)

H2 - Firms that emphasize internal global strategic factors will pursue a higher degree of promotion standardisation (Zou and Cavusgil 2002). These being: Uniform Brand Image – Harris and Attour (2003), (De Mooij, 2005), (Keller, 2007), (Kapferer, 2008); Cost Savings-Duncan and Ramaprasad (1995); CMS – (Hassan et al 2003); Organisation Control – (Solberg, 2002)

H3 – The larger the size of the subsidiary the higher the degree of promotion standardisation (Samiee et al 2003).

H4 - The more internationally experienced the company, the higher the degree of promotion standardisation (Zou and Cavusgil 2002).
H5 – The nature of the product may be the most important factor in determining whether or not it is feasible to standardise promotion (Chandra et al 2002).

The level of promotional standardisation comprises: Advertising Strategy (Fastoso and Whitelock 2005); Sales Promotion (Hollensen, 2007); Internet Promotion (Constantinides and Fountain 2008).

2) **Empirical Method**

The empirical method drew on scales that Saimee et al (2003) and Laroche et al (2001) developed because these measured some similar constructs. After we developed a full set of items, we sent the scales to both practitioners and academics who were knowledgeable about international marketing topics. On the basis of their feedback, we modified some items and dropped others.

The questionnaire focused on a set of theoretical constructs that are posited to be the principal antecedents of promotional standardisation decisions in European markets. We assessed each construct on a multi-item measure using a five-point semantic differential scale, ranging from “strongly disagree” (1) to “strongly agree” (5). In addition, we assessed the subsidiary’s annual sales volume and the parent company’s experience in international operations using ordinal scales. Finally, we measured the type of product advertised using a categorical scale, which consisted of consumer durable goods, consumer nondurable goods, industrial goods, and services. We directed all questions specifically to executives of the MNCs’ subsidiaries, which we asked to provide ratings from the subsidiary’s standpoint. We sent the questionnaire to selected advertising or marketing executives of British MNC’s and their subsidiaries in the United Kingdom, France, and Germany. We selected these three countries because they are among the largest national economies in Europe, because they have substantial advertising spending, and because of the practical problems in translating the questionnaires into additional languages. We chose firms from the Global Fortune 500 (Fortune 2010). For each firm, we found local subsidiaries’ addresses in the Directory, to ensure accuracy, we checked each address identified in the directory on the Headquarter’s Internet home page.

3) **Data Analysis**

3.1 **Descriptive Statistics**

With regard to Environmental Factors: in Advertising Infrastructure (Questions 5 – 7), we addressed whether managers perceive advertising conditions as being similar across the EU in terms of advertising infrastructure, market similarity, and the level of competition. As
Appendix III shows, firms gave fairly positive ratings (Mean = 3.74) for similarity of advertising infrastructure, a difference that is not statistically significant. In addition, the perceptions of Market Harmonisation (Questions 8 – 11) indicate that subsidiaries were both neutral toward this construct in a similar way (Mean = 3.81). In addition, managers’ perceptions of the Level of Competition (Questions 12-14) across the EU (Mean = 4.79) is notably high, suggesting that the sample considered the EU market highly competitive.

With regard to Strategic Factors: we addressed motives for standardising advertising. Here, we focus on the importance of four primary advantages of standardisation based on prior research. The results reveal a high level of agreement with the need to create Uniform Brand Image (Questions 15-19) among respondents (Mean = 3.83). The mean for subsidiaries was higher for Cost Savings (Mean = 3.89) than for Uniform Brand Image. This suggests that there is agreement with the statement amongst the sample; that is, firms believe that it is important to save costs (Questions 19-26) through the use of standardisation.

For the desire to appeal to cross-market segments (Questions 24-26), the results show that firms gave ratings slightly above the midpoint of the scale for this dimension (Mean = 3.75). With regard to Organisational Control (Questions 27-30) this was also above the mid-point of the scale (Mean = 3.29) suggesting that centralisation is an important factor as to whether a firm standardises its promotional activities.

In Advertising Strategy (Questions 30-36), we addressed the extent to which firms standardise strategic elements of advertising across the EU. Firms responded positively to these questions (Mean = 3.68). In contrast, on the dimension of executional elements, the firms responded with a Mean of 3.36. This response leans toward the neutral part of the scale. Notably, it seems that firms report being slightly more likely to standardise strategy than executions.

In Sales Promotion Strategy (Questions 42-48), we addressed the extent to which firms standardise Sales Promotion across the EU. Firms responded positively to these questions (Mean = 3.43).

On the dimension of Internet Promotion (Questions 49-58), the firms responded with a Mean of 3.98. This response is very positive. Notably, it seems that firms report being slightly more likely to standardise their Internet Promotion than Advertising Strategy/ Execution and Sales Promotion.

3.2 Proposed structural model

The proposed structural model (Please refer to Appendix IV) was analyzed via AMOS 5.0 using the generalized least squares method (Hair et al 2009) Table presents a summary of the key parameters as well as fit statistics for the proposed model. The x2 value suggests a good fit, x2 = 327.67 (df = 309, p = 0.223), as do the fit indexes, because CFI (Comparative Fit Index) and IFI (Incremental Fit Index) are above 0.90 and RMSEA (Root Mean Square
Error) is lower than 0.08 (Hair et al 2009).

Hypotheses 1 and 2 address the influence of environmental factors and strategic factors on the level of standardization. The coefficient estimates indicate that the paths from environmental factors to the level of standardisation (standardised coefficient = 0.33), while the path from the strategic factors to the level of standardization (standardized coefficient = 0.71) were significant at $p < 0.05$ and $p < 0.001$ respectively. Thus, Hypotheses 1 and 2 are supported by the results.

Hypotheses 3 and 4 relate to the effect of the annual sales volume of the company and international operations, respectively, on advertising standardisation. The predictions were that the larger the size and the more experience in international operations, the more likely it is for MNCs to standardise promotion across the markets. The results show that at $p < 0.05$, the path from the annual sales volume of the company (standardized coefficient = 0.16) was significant, as well as the path from international experience. These estimates indicate that H3 and H4 were supported.

Hypothesis 5 relates to whether the nature of the product has an effect on promotional standardisation. The predictions were that industrial goods would be more prone to standardisation than consumer goods with regard to promotional strategy. Our results show that at $p < .05$, the path from the nature of the product (standardized coefficient = .55) was significant. These estimates indicate that H5 is supported.

**4) Discussion and Conclusion**

Hypothesis One (H1) of this research looked at the extent to which MNC’S and Advertising Agencies perceive there to be a similarity of advertising infrastructure, market harmonisation and level of competition across these 3 countries. Therefore, given the positive perceptions of the EU as a single market, it is not surprising that firms indicate a fairly strong agreement related to standardising advertising strategy/executions, sales promotion and internet promotion.

Hypothesis Two (H2) looked at whether these MNCs and Agencies believe that standardisation is associated with specific benefits. These findings may assume that, in general, firms who conduct promotion across these markets in the EU would be well advised to standardise their promotional strategies.

Hypothesis 3 (H3) of this research looked at the literature by Samiee et al (2003), that research on international business suggests that firms with higher sales volume are more likely to expand into foreign markets and to have a standardised worldwide image. Thus, GMS theory would identify large firm size as an internal factor that is consistent with standardisation. The results support the effect of higher sales volume.
In Hypothesis 4 (H4) several researchers have found that international operations is also helpful to firms in planning international strategy (Douglas and Craig 1989; Hill 1996). Cavusgil and Zou (1994) found empirical support for the idea that more experienced exporters have higher levels of success in international markets. In addition, according to GMS theory, Zou and Cavusgil and (2002), found a significant link between the firm’s level of international experience and its use of a global marketing strategy, including a global promotional strategy. As a result of this prior research, one would expect more experienced firms to engage in more standardisation.

In Hypothesis 5 (H5) the type of business also produced fairly positive feedback in that Industrial Products appeared to have the highest level of standardisation followed by consumer durables and consumer non-durables. This is in line with Boddewyn et al (1986), who found that industrial goods had the highest level of standardisation followed by consumer durables and consumer non-durables. This view is supported by Cavusgil et al (1994) who conclude that greater adaptation is necessary for consumer goods than industrial goods.

This research empirically examined the Antecedents, Policies and Practices of Promotional Standardisation Strategy: A comparison of British MNC’s and Advertising Agencies in 3 countries across the European Union. Although the debate over promotional standardisation has led to too much research effort investigating which of the two approaches (standardisation or local adaptation) MNCs are likely to adopt, little theory has addressed why firms standardise? A key contribution of this research is that it provides support for the application of GMS theory to the context of promotional standardisation. Consistent with GMS theory, our model supports the notion that there are antecedents that drive promotional standardisation: There are two latent independent variables—environmental factors and strategic factors—and three observed independent variables—annual sales volume, international operations and type of business—that can significantly influence the level of promotional standardisation with thin the UK, France and Germany. An additional contribution is that the model also looks at the impact of standardisation on promotion more fully than before (Advertising Strategy/Execution, Sales Promotion) and adds a valuable contribution with regard to Branding and an ultimate contribution in Internet Promotion e.g. Web 2.0. This paper found that, on average, managers reported that Standardised Advertising Strategy/Execution, Sales Promotion, Branding and Internet promotion is fairly high across these markets in the EU with Internet Promotion being the highest!


Keller, Kevin Lane (2007), Strategic Brand Management, Prentice Hall, New York


Appendix I

International Experience

Global Orientation

External Globalising conditions

Promotion Standardisation (GMS)

Advertising Strategy

Sales Promotion
Appendix III

Means and Standard Deviation

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Mean</th>
<th>Standard Deviation</th>
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<tbody>
<tr>
<td><strong>Environmental Factors</strong></td>
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<tr>
<td>ADVERTISING</td>
<td>3.74</td>
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<tr>
<td>INFRASTRUCTURE</td>
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<tr>
<td><strong>MARKET HARMONISATION</strong></td>
<td>3.81</td>
<td>1.16</td>
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<tr>
<td><strong>LEVEL OF COMPETITION</strong></td>
<td>4.79</td>
<td>0.90</td>
</tr>
<tr>
<td><strong>Strategic Factors</strong></td>
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<tr>
<td>UNIFORM BRAND IMAGE</td>
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<td>1.10</td>
</tr>
<tr>
<td><strong>COST SAVINGS</strong></td>
<td>3.89</td>
<td>1.25</td>
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<tr>
<td><strong>CROSS MARKET SEGMENTS</strong></td>
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<tr>
<td><strong>ORGANISATIONAL CONTROL</strong></td>
<td>3.29</td>
<td>1.52</td>
</tr>
<tr>
<td><strong>Level of Promotional Standardisation</strong></td>
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<tr>
<td>STANDARDISED ADVERTISING STRATEGY</td>
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<tr>
<td>STANDARDISED ADVERTISING EXECUTION</td>
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<tr>
<td>STANDARDISED SALES PROMOTION (Print)</td>
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<td>1.10</td>
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<tr>
<td>STANDARDISED INTERNET PROMOTION &amp; WEB 2.0</td>
<td>3.98</td>
<td>1.05</td>
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Appendix IV

Proposed Structural Model

<table>
<thead>
<tr>
<th>HYPOTHESES</th>
<th>EXPECTED SIGN</th>
<th>PATH ESTIMATE</th>
<th>STANDARD ERROR</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>HYPOTHESIS 1 ENVIRONMENTAL FACTORS -&gt; LEVEL OF PROMOTIONAL STANDARDISATION</td>
<td>+</td>
<td>0.33</td>
<td>0.17</td>
<td>0.017</td>
</tr>
<tr>
<td>HYPOTHESIS 2 STRATEGIC FACTORS -&gt; LEVEL OF PROMOTIONAL STANDARDISATION</td>
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<td>0.2</td>
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<td>HYPOTHESIS 3 ANNUAL SALES VOLUME OF THE COMPANY -&gt; LEVEL OF PROMOTIONAL STANDARDISATION</td>
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<td>0.21</td>
<td>0.021</td>
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<tr>
<td>HYPOTHESIS 4 INTERNATIONAL OPERATIONS -&gt; LEVEL OF PROMOTIONAL STANDARDISATION</td>
<td>+</td>
<td>0.16</td>
<td>0.23</td>
<td>0.031</td>
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<tr>
<td>HYPOTHESIS 5 NATURE OF THE PRODUCT -&gt; LEVEL OF PROMOTIONAL STANDARDISATION</td>
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<td>0.55</td>
<td>0.15</td>
<td>0.004</td>
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