International Standardization and Adaptation of Products – Combining the Fit Approach and the Profit Logic

by

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Executive Summary

The question of how far international firms (should) standardize or adapt their product strategies across countries has been one of the central research questions in the international business and international marketing literature. During the last decades, hundreds of articles have appeared in this prominent research field. So what is the contribution of a new empirical study in the field and of the present article?

First, this article goes beyond a pure description of the factors that drive international product standardization/adaptation. We follow and extend recent prescriptive work that stresses the value of strategic fit theory for identifying performance-enhancing standardization/adaptation strategies in given situations. More precisely, we build on the “fit-as-matching perspective” as an appropriate approach for modelling the adaptation-performance relationship. In addition, we distinguish among general misfit, over-adaptation, and over-standardization. Thereby, we identify not only the performance-optimal degree of international product standardization/adaptation in given situations, but also the performance effects of over-adaptation and over-standardization. We can show that, depending on the situation, all three types of strategies (fit, over-adaptation, and over-standardization) can have positive effects on performance. Therefore, international firms have to carefully select their standardization/adaptation strategies based on the specific situation.

Second, we follow the “profit logic” suggested by several scholars who have argued that performance-oriented decisions about international standardization/adaptation ultimately require a trade-off between cost and revenue considerations. In particular, we analyze the extent to which the degree of international product standardization/adaptation influences the elements of the product-profit function, depending on the situation. By doing so, we are able to develop hypotheses regarding product-profit enhancing standardization/adaptation strategies in given situations. These fit- and profit-based hypotheses are largely supported in our empirical study in the German food and cosmetics industry. The results of our study advance the existing work on the profit logic by showing that the profit effects of international standardization/adaptation vary greatly by situation. In particular, the results provide firms with situation-specific recommendations regarding profit-enhancing strategies of international standardization/adaptation.

Third, we extend previous evidence that the performance implications of international standardization/adaptation differ across the main elements of the marketing mix. Focusing on product strategy, we investigate international standardization/adaptation not only at the overall product level but also at the product sub-element level, considering product name, product positioning, product quality, product features, product packaging, and models in the product line. This analysis reveals that the profit implications of international product
standardization/adaptation differ widely depending on the elements of the product strategy. In addition, we demonstrate that these profit implications also vary by industry. Consequently, we argue that studies which mix different industries and those which analyze international standardization only at the overall product level run the risk of yielding statistical artifacts.

The findings of our study are not only of relevance to scholars; by analyzing the performance effects of product strategy, our study also helps firms to identify the degree to which they have to standardize/adapt their products across countries to enhance foreign product profit in a given situation.