Combining corporate and marketing strategy for global competitiveness

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Outlines effective corporate strategy-marketing strategy relationships in the context of a behavioural segmentation framework for competing in the global marketplace. Evaluates standard, local and regional market strategies in conjunction with cost-based, customer-based and innovation-based corporate strategies. Highlights key corporate strategy-marketing strategy combinations in a global strategic marketing decision tree. These combinations enhance an organization's ability to compete effectively in global consumer markets. Utilizes corporate examples to emphasize the effectiveness of these combinations. The premiss of this paper is that corporate strategy drives marketing strategy. Concludes that by recognizing the complex interrelationships between corporate and marketing strategy, organizations may achieve global strategic competitiveness.

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Introduction

Movement towards a global consumer market has increased the competitive environment of multinational organizations. Due to the increase in competition, organizations have attempted to implement a variety of strategy programmes. In international marketing, managers have focused on the debate between standardization, regionalization and localization. However, marketing strategy implementation is not a question of standardization, regionalization or localization, but is rather an issue of knowing when to utilize each (Huszagh *et al.*, 1986; Levitt, 1983; Quelch and Hoff, 1986; Rau and Preble, 1987).

Effective marketing strategy adoption can be determined by examining the foundation (i.e. core competences) on which the organization operates. By adopting a marketing strategy that is compatible with the multinational's corporate strategy, the organization can achieve a strategic competitive advantage in the global marketplace (Walters, 1986).

This paper provides a conceptualization of successful corporate marketing and behaviour segmentation strategy combinations that have allowed multinational corporations to achieve dominance. Cost-, customer- and innovation-based corporate strategies provide the impetus for defining both international marketing (standardization, localization and regionalization) and target market behaviour segmentation. Finally, the concepts are combined to provide a new conceptualization for determining the most effective marketing strategy to implement, based on the organization's corporate strategy.

Organizational focus as a basis for global competitiveness

Corporate strategy is what positions multinationals in the global marketplace. Corporate strategy is guided by the organization's core competences – those competences on which the multinational operates. Operating strategies are either cost-, customer- or innovation-based (Aaker, 1992; Porter, 1980; Treacy and Wiersema, 1995).

Firms utilizing a *low-cost* strategy provide customers with quality products and services at competitive prices (Aaker, 1992; Porter, 1980; Treacy and Wiersema, 1995). These companies follow an organizational philosophy of leading the industry in price and convenience. Relying on economies of scale and competitive pricing, organizations position themselves in the market as a cost leader. It is important to differentiate the concept of *cost-based* corporate strategy from *pricing* strategy. Whereas the latter seeks to position the product in the consumers' eyes using price as a cue, the former focuses on becoming the most *cost-efficient* producer of the product. Multinationals utilizing this strategy, such as McDonald's, United Parcel Service and Coca-Cola, target customers who are interested more in getting quality products at the lowest possible price with the least possible hassle than in the specific product features or attributes they are buying (Porter, 1980; Treacy and Wiersema, 1995).

Multinationals refining their products and services to meet specific customer needs are following a *customer-based* corporate strategy (Porter, 1980; Treacy and Wiersema, 1995). By redefining their products according to specific market needs, these multinationals are able to establish strong customer relationships. Employing a corporate strategy aimed at understanding their customers, these firms are able provide a higher level of service and re- establish the level of value expected by their customers. Firms utilizing this strategy are targeting customers who are concerned more with getting exactly what they need than with the price that they pay (Treacy and Wiersema, 1995). Through the redefinition of value in this segment of the marketplace, firms such as Proctor & Gamble, Volvo and Philips have been able to achieve strategic competitive advantages in their respective industries.

Multinationals competing on the basis of *innovation* strive to produce top-of-the-line, cutting-edge products (Aaker, 1992; Porter, 1980; Treacy and Wiersema, 1995). These organizations believe that by fostering an entrepreneurial environment their employees will continually challenge themselves to produce innovative products; the production of innovative products allows the multinational to establish itself as an innovative organization. Utilization of this philosophy means targeting customers who are willing to pay premium prices in order to obtain state-of-the-art products (Treacy and Wiersema, 1995). Firms such as Michelin, Ciba-Geigy and Sony, use this strategy to position themselves as innovators throughout the global marketplace.

The different corporate strategies highlight the core competence the organization is using to differentiate itself from its competitors. Not only does the corporate strategy identify how the organization positions itself in the marketplace, it also identifies consumer choice criteria. For example, customers who value innovative products, or low-cost products, can be found throughout the world. Whether the organization is targeting customers in London, Paris, Madrid or Brussels, those utilizing similar choice criteria are known to exist. However, developing and implementing the appropriate marketing strategy within the framework of one's product, core competences and the international competitive environment are crucial.

Segue from corporate to marketing strategy

Standardization proponents have argued from the beginning that consumers are becoming more homogeneous in terms of their wants and needs (Elinder, 1965; Eger, 1987; Fatt, 1967; Levitt, 1983; McNally, 1986; Porter, 1986), due most notably to an increase in international television broadcasting and international travel (Eger, 1987; Fatt, 1967; Levitt, 1983; McNally, 1986). By standardizing marketing strategy, managers seek to achieve economies of scale (Levitt, 1983; McNally, 1987) and brand-image consistency (Eger, 1987; Fatt, 1967; Peebles, 1989).

Champions of *localization* argue that the utilization of a global marketing strategy is based on a flawed assumption: the world population is becoming homogeneous. Localization advocates argue that standardization authors ignore the importance of culture (Wind, 1986). Cultural differences, a fatal omission in the homogenization argument, cannot be ignored and have a significant impact on consumer behaviour (Black, 1986; Locke, 1986). Since cultural differences between individuals and societies are the barriers to standardization, marketers need to identify specific target markets and then service them effectively (Black, 1986; Shao, Shao, and Shao, 1992). Accordingly, scholars are finding that practitioners are customizing their marketing strategies to compete effectively in individual markets (Shao *et al.*, 1992; Sorenson and Wiechmann, 1975).

Advocates of *regional segmentation* strategy contend that the practice of market segmentation in domestic markets is a clear indicator of the ineffectiveness of treating the whole world as a homogeneous market (Baalbaki and Malhotra, 1993; Kreutzer, 1988). Regional market segmentation examines homogeneous segments, those with similar demand functions, across world markets. Assessing the similarities and differences between consumers across markets, this strategy achieves the advantages of both standardization and localization (Baalbaki and Malhotra, 1993; Kale and Sundharshan, 1987; Kreutzer, 1988).

The making of a target market

Behavioural characteristics can be effective for segmenting the consumer market (Hassan and Katsanis, 1991). While a number of behavioural frameworks have been proposed in the literature (for a post-Levitt review, see Hassan and Katsanis, 1991), one developed by Ryans (1969) warrants further examination. This framework may be beneficial in resolving the most controversial debate about international marketing strategy – that of whether to implement standard, regional or local marketing strategies.

Ryans (1969) trichotomized the global market into the international sophisticate, the sophisticate and the provincial. This segmentation is based on behavioural characteristics, rather than any set of demographic characteristics, and includes a wide range of ages, incomes and educational levels within each segment. Ryans (1969) accomplished this by segmenting on the basis of the behavioural characteristic of "degree of cultural sensitivity", which he then uses to select the appropriate advertising strategy, whether standardization, regionalization or localization. While this segmentation was applied originally only to advertising strategy, extending it to overall marketing strategy allows organizations to address a broader range of issues.

International sophisticates are a small group of consumers who might be termed "world citizens" (Ryans, 1969). These consumers have an appreciation of other cultures. Beyond their appreciation of other cultures, they are open and receptive to cultural differences and international products. Since these consumers are interested in other cultures and have a great deal of cross-cultural exposure, brand-image consistency is increasingly important to a multinational which is targeting this market segment. The global philosophy of these consumers, plus the heightened sensitivity to brand-image consistency, are the cornerstones of standardization.

The *sophisticate* consumer segment, although intrigued by other cultures, still perceives those other cultures to be socially distant. Overall, these consumers fall somewhere between the global and the ethnocentric in their consumption philosophy. Although this segment is not influenced to the same extent by a global campaign, regional campaigns, the sophisticates consider, may be effective (Ryans, 1969).

Provincial consumers are defined as individuals who lack an interest in, or an appreciation of, other cultures, and consequently exhibit a hesitancy towards purchasing "foreign" products. This hesitancy ensues from an overall ethnocentric consumer philosophy. Hesitant about the unfamiliar in terms of products or advertising, this segment is most receptive to a localized strategy (Ryans, 1969).

Many multinationals which study their market closely find that they are concentrating on one behavioural type; or they may find that individual customer types can be associated with certain products in their product line. As a result, the effective utilization of a behavioural segmentation strategy can provide a multinational with a strategic competitive advantage.

Strategy development for global competitiveness

For an organization to compete in the competitive global marketplace, it must select and implement a marketing strategy that is compatible with its corporate strategy. The multinational operating in the global marketplace must develop a synergistic bond between marketing strategy and corporate strategy. Through the correct strategy combination, a multinational can maximize its own competitive advantage(s), thus allowing it to compete effectively and efficiently throughout the world.

The schema for combining marketing and corporate strategy is illustrated in Figure 1, the global strategic marketing decision tree. By analysing traditional corporate strategies under Ryans' (1969) behavioural characteristic market segmentation typology, multinationals may be able to flexibly implement the appropriate marketing strategy (whether standardization, regionalization or localization), while targeting in an effective way specific consumer segments throughout the world.

Six congruent strategy-target market combinations are identified. The rationale for asserting either congruence or incongruence is twofold:

1. Each strategy combination either does or does not make sense conceptually when real-world considerations are weighed. For example, the control and centralization that is required for a low-cost approach supports a one-size-fits-all standardization strategy and is appropriate for a target market of international sophisticates, whereas low-cost production and standardization targeted for acceptance in a provincial customer market are contradictory.
2. The global strategic marketing decision tree is compelling from a strictly practical position. Examples of leading multinationals combining the six conceptually compatible combinations are abundant, while few or no cases can be found in support of the incongruent combinations.

Four managerial guidelines for formulating and executing multinational strategies are directly reasoned or can be inferred from the global strategic marketing decision tree. Each is consistent and logical in the abstract, while also being supported by corroborating experiences.

Guideline 1: world citizens embrace the cost-effectiveness of standardization

The cost-based strategy indicates not only the corporate focus, but also the type of customer the multinational is targeting. Because the organization is striving for price competitiveness, products produced under this philosophy need to be standardized and made inherently less culturally sensitive.

A standardized marketing strategy has been implemented effectively by McDonald's, United Parcel Service and Coca-Cola when targeting the international sophisticate segment. McDonald's march across continents provides evidence that cost advantages coupled with a unified global marketing strategy produce outstanding results when targeting the international sophisticate markets from Paris to Moscow. UPS and Coca-Cola's adherence to a global marketing strategy designed to capitalize on cost efficiencies, as demonstrated most recently in their sponsorship of the 1996 centennial Olympics competition and the commercials aired during, has enabled them to achieve competitive advantages in their respective industries.

Since these organizations compete on the basis of price and convenience, while targeting the international sophisticate customer type, standardization has been effective. Through standardization, these global organizations have been able to achieve significant cost savings in comparison to their competitors, thereby leading to a competitive advantage.

This strategy combination is in stark contrast to one capable of satisfying the provincial segment. A localized strategy is contrary to the principles of cost-based efficiencies and therefore may not be combined effectively. Cost-based organizations targeting provincial markets find profits lacking. If Coca-Cola began by adapting its product and advertising for each local market, would it be as successful as it is today?

Guideline 2: world citizens follow technological leaders closely

An innovation-based strategy demands an ability continually to produce cutting-edge products that have limited cultural boundedness. Targeting the international sophisticate customer segment with a globalized marketing strategy has proved effective for global industry leaders such as Michelin, Sony and Ciba-Geigy.

Michelin is the world's largest tyre company. Movement from a rubber products business back in the 1880s to global dominance today has developed through the effective targeting of *world citizens* by combining innovative products with a global marketing strategy. Who can deny the fact that the maker of the first radial tyre has captured the hearts of consumers around the world with their "baby" campaign?

Sony and Ciba-Geigy have also combined their technological prowess synergistically with global marketing strategies to surpass the expectations of consumers around the world. Sony's humble beginnings in war-ravaged Japan shed little light on the global dominance it would obtain 50 years later by identifying the global electronic market for smaller and more efficient products. Likewise, Johann Rudolf Geigy might never have dreamed back in 1758 that 212 years later his firm would marry Alexander Clavels' 1859 dye works legacy to become a global leader in pharmaceutical and chemicals. The strength born through that unlikely marriage has enabled Ciba-Geigy to develop cutting-edge products with global reach.

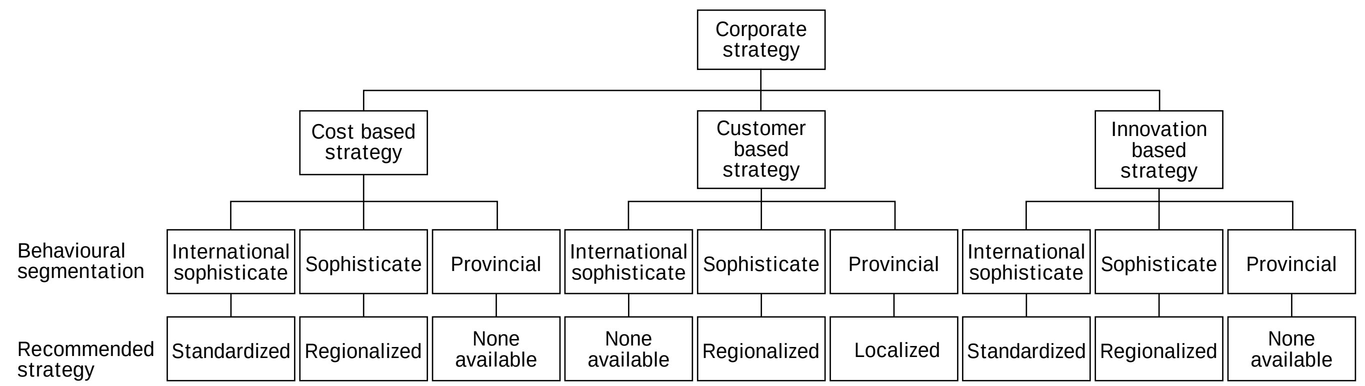
These multinationals have combined innovative products/services with a global marketing strategy to target a single global market. Targeting the *world citizens* who demand leading-edge products, has enabled them to position themselves as effective innovators throughout the global marketplace. Since customers in this segment are not averse to other cultures, the utilization of a global strategy has been most effective.

Given the drive for technological prowess, local market adaptation appears counterproductive. A multinational that is destined to compete on product innovation has no choice but to standardize its marketing strategy, and thus focus on the international sophisticate market. Michelin's dominance would surely fade if it were to adopt the customer-based approach of a WPP Group.

Guideline 3: provincials crave that local touch

A customer-based strategy directs organizational resources towards establishing high-value customer relationships. The focus of this strategy is to understand customers' wants and needs, and therefore the multinational must take into consideration the cultural characteristics of each market in which it operates. As a result, product development and customization need to be evaluated on the basis of the product's level of cultural appeal. Within a marketing management framework, this strategy concentrates on

Figure 1
Global strategic marketing decision tree



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tailoring the product to customer needs and hence requires more adaptation across the marketing mix.

The provincial market demands a localized strategy. Roadway and Cable & Wireless have demonstrated the effectiveness of a localization strategy when catering to the specific needs of their customers, with Roadway providing on-site logistical help for its larger clients and Cable & Wireless tirelessly providing customer consultation. This type of customer requires a localized strategy, combined with a corporate strategy aimed at continual tailoring of the product to the customer. With a localized marketing strategy, the marketing management bases also need to be localized. As a result, product, promotion, distribution and pricing need to be tailored for the specific customer in each market.

Enterprises that have developed and enhanced their reputations by exceeding customer expectations use customer preferences to guide marketing strategy. Due to the highly specialized aspects of a customer-based strategy, requiring the redefining of product attributes, inefficiencies may be created when firms move away from their guiding principle. The Walt Disney Company is one such example. Disneyland Paris has been less than optimally marketed in Europe. After three three-and-a-half years of less than Disney-like performance on a pan-European basis, the entertainment giant is beginning to target specific European markets, such as the UK. The move to a more focused marketing effort should help revitalize Disney's European image.

Guideline 4: a plethora of strategies with which to satisfy sophisticates

Sophisticates are accepting of all. Consider Proctor & Gamble's value-pricing strategy in its pan-European campaign; or Volvo's development of regionally acceptable products providing value-added benefits such as safety; or Philips's pan-European approach to competing on a technological basis – in each case a regionalized strategy has proven effective. These multinationals adhere to the adage of meeting specific customer needs on a regional basis, thus recognizing and incorporating cultural differences into their overall marketing strategy. By targeting the sophisticate segment, which is interested in other cultures, the regionalized marketing strategy has allowed them to achieve benefits of both standardization and localization.

Regionalization occurs with products or services that require some degree of adaptation. A company such as Nestlé, for instance, would suffer greatly if it were to attempt to reap the cost benefits of standardization at the cost of regional acceptance. Additionally, Nestlé's market leadership would most likely erode if it were to attempt to satisfy local needs. Its operating efficiencies lie in satisfying the regional needs of the sophisticate market.

The Achilles heel

The Achilles heel of this entire argument is behaviour segmentation. Marketers have tried for decades to identify behaviour segments within the marketplace. While this has proved futile in many cases, the point here is that the identification of each segment may not be as important as originally thought.

The global strategic marketing decision tree (Figure 1) indicates that marketing strategy derives from the economic advantages of corporate strategy. Given the synergistic combination of the two, a target market behaviour segment is identified. That is to say, once an organization has committed to a particular operating philosophy and marketing strategy, there may be only a few behaviour segments that it can target effectively. Thus, a number of strategic managerial guidelines are presented to help managers identify each.

Implications

The global strategic marketing decision tree can be used by executives to develop ideas and think about the four issues that are critical to establishing and maintaining a competitive organization:

1. On which core competence does/should the organization operate?
2. How might the organization realign its strengths to better position itself?
3. Are the behavioural characteristics of your target market consistent with your core competence?
4. What environmental changes may impact the effectiveness of your current strategy combination?

These inquiries provide a starting-point for international executives to redefine their competitive position in the marketplace. The global strategic marketing decision tree provides a guide of past successful combinations. While the insights provided by the decision tree are illuminating, it is important for international executives to find new means of surpassing old parameters. Perhaps the solution lies in the rapid technological advances occurring in the global telecommunications industry.

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