

# THE ADVANTAGES OF GLOBAL STANDARDIZATION

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**Abstract:** *The standardization strategy implies the adoption of a unique market policy or the regional homogenization of the international products development programmes. On the international level, the literary sense of standardization of 100 % uniformity is used only in several exceptional situations, in all external market. Many companies gain a lot of benefits as a consequence of standardization their products components simultaneously with the same capacity to adapt the final product to each market consumer segment. Different companies have different levels of standardization, but in few cases it could be 100% standardized product.*

**Key words:** *standardization, global markets, products internationalization, normative documents.*

## 1. Introduction

Standardization, on the strategic product components, has many advantages regarding the benefits of cost reduction and the rising of profits obtained from sales, but also the advantages results from the global goods distribution. Standardization is a premise of international communication improvement and the information transfer increase rhythm, directly connected with the results of technological development and with main objective of needs and consumer behaviour homogenisation form all over the world. Standardization represents a way to confer superior value to product through price, quality, and distribution. Standardization brings confidence to consumer regarding certain producer's offer.

## 2. International Opinions Regarding Standardization

There are various opinions, on the international level, regarding the adaptability extent of the sold products on the global markets and the standardization feasibility.

Some opinions consider that *“the enterprises should learn to operate such as the world would be a single market, disregarding superficial local and national differences”*. Other opinions say *“enterprises that use methodical analysis on a large scale, have reached to the conclusion that management and marketing programmes can not be, in many times, standardized”*.

This standardization disagreement of the international products development

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programme is based on the lack of precision regarding the problems which have to be standardized and the degree in which the standardization should be applied. Some authors consider the literary sense of standardization, in this point of view to be a standard product; it should be 100% uniform, all over the world.

But for other authors, it's sufficient that standardization to be applied only on the key elements.

*The standardization strategy implies the adoption of a unique market policy or the regional homogenization of the international products development programmes.*

On the international level, the literary sense of standardization of 100 % uniformity is used only in several exceptional situations, in all external market. Often there are necessary minor changes in product presentation, but these changes are important because influence the production costs and are assured the uniformity guarantees and the benefits.

The standardization decision should be made separately and permanently connected to international implications for each element of international products development programme.

### **3. The Advantages and Disadvantages of Standardization**

Those companies which invested and believe in standardization made significant economies regarding de scale production, distribution and management and marketing programmes. These benefits are: the cost reduction, the international prices reduction, the competitive diminish, the consolidation of market position and the promotion of a unique international image.

As we have mentioned above, standardization has certain disadvantages, such as the low penetration degree on the market countries with special needs. Uniform products may not attract consumer on some markets and, often fail to satisfy local rules or product prescription. Even though, the standardization strategy of a producing company may encounter a serious obstacle through reducing the international affairs.

Many companies conceived and made global products as a reaction to the reduction costs pressure and taking into account the opportunities conferred by production and process of standardized products. *The global product is based on the final product adjustment to the specific and particular markets needs (only a part of final product can be standardized).* This is a way to standardize as much possible those domains which realize common machine part or components. This approach is very important in automobile industry, computers and electronic components etc.

Many companies gain a lot of benefits as a consequence of standardization their products components simultaneously with the same capacity to adapt the final product to each market consumer segment. Different companies have different levels of standardization, but in few cases it could be 100% standardized product. For some enterprises, the rise of standardization from 15% to 20% of that product could determine a significant costs improvement and that level could be the highest level of standardization. Meanwhile, for other enterprises, the global standardization core should be 80% of whole product to reach the same cost performances. These standardization levels depend on the

market characteristics or on the distinctive element of an industry sector.

Through their objective of extending the market sales, companies encounter barriers regarding their products' adjustment to the new environment. These adaptations are frequently expensive if they are correlated with real consumers' demands. To fulfil the international demand and to quickly and efficiently adapt to new necessities, the development possibilities should be prior evaluated.

The globalization of products development cycle determines simultaneously development of various products in the world, made in a modular way including more and more unique international components to accomplish the individual markets requirement. For international merchants is challenging to find the most suitable associations between international standardized components of a product and the components made to order for the specific markets.

Being a competitive environment, the producer companies tend to be the first ones to introduce a new product on the market in order to conquer the best market share. At the same time, in order to accelerate the speed market penetration companies associate and cooperate. In these terms, the temporal interval between the product launching on a local market and the launching on the international market decrease. Step by step, many enterprises will try simultaneous products launches. Because the time diminishes for the product testing, in order to establish the adoption extent connected with the demands of specific markets we must stress that the risk raises in these global launches.

The existence and the elaboration of a normative documents, especially a *general*

*standards* in order to regulate activities form all activity's sectors, presents some **advantages** for all participants to global market. The most important advantages are:

- **The homogenization of needs and preferences.** Consumers with homogenous needs allow the creation/achievement of global brands. This fact determines the success trading of a country „national culture” on foreign mass market, formed by consumers with similar preferences (e.g. Levi's blue jeans or hair shampoo head& Shoulder)
- **The intensification of consumers' mobility.** As a result of international travel, in business scope or holidays, there are traded more and more products to a global scale (e.g. all over the world, the passengers/travellers expect that Marriot Hotels to offer products and services with similar characteristics.
- **The attainability of scale or experience economies.** To gain cost advantages is essential for the success of the global performing. Savings are the results of rebate offered for big quantity of acquisition and from a balanced distribution of resources, on different markets, for research and development, marketing, production and management. Using a standard strategy on the global level or using unique marketing programmes, the cost can be reduced even more; this fact allows the companies to offer better and surer products at lower prices.
- **The rising of technological feasibility.** In those productive sectors in which the technological process become more and more homogenous, the production's standardization represents a prior requirement. For simple technologies,

the product's standardization could maintain the costs to a low level. That's explain why the taste of Coke drink made by Coca Cola company, is the same, no matter which sales market would be. Other companies, such as Nestlé adapt products lines and publicity to markets conditions of every sales market, from a country to another, dealing with upper costs, hopping to obtain better share market and income/profits. This strategy is motivated by the differences between global markets.

- **Diversity.** The adaptation of enterprises' world tenders to specific markets is derived from certain differences. This differences are those between consumers' preferences, needs, perceptions and attitudes, the destination and utilization conditions of products, the income level, the buying power and consumers' habits, the legislation and national adjustments, competition, the information means etc. Enterprises should adapt their products and services in order to fit to the local tastes and preferences .

Even the biggest producer companies on the market adopt a partial standardization for their products. Meanwhile Coca Cola adopts a standardized global brand; the company does some product's modifications for certain market segments, such as: diet Cola-Cola or decaffeinated Coca-Cola, modifying sugar contents proper to various consumers; necessities and certain regions. Also, McDonalds modifies the menu in different countries in order to adapt to local specific/86/.

For producer enterprises the main problem is to identify the advantage or satisfaction recognized by consumer and determines him to buy that product. This advantage must be the reason that a product's element of an enterprise should differ from competition.

In many cases, the advantages are copied; the producer companies should constantly search for a new source of competitive advantage. This fact determines the standardization of less important product's elements. For Coca-Cola product, the main advantage of a specific taste made form a particular ingredients combination isn't an important source of differentiation on a long term. The competitive advantage is attained through standardization of associated images of the brand and supporting them with a solid publicity campaign.

The producer companies' decision of standardization is based on cost-benefits analysis: what implications on incomes and profitability should be.

There are enterprises that have an immediately adoption policy of specific standards of consumers form different countries. On the other hand, other enterprises have a strategy of modifying the consumer's preferences, redefining its needs in concordance with their specific. The Japanese companies were more receptive on standardization because are dependent by exports. For the Japanese companies, the products' differentiation becomes an important component of their strategy.

The production's standardization is motivating and determined by the globalization's trends.

*Product's changes determined by environment factors*

Table 3-4

<b>Environment factors</b>	<b>Product's changes</b>
The reduced technical skills of costumers	Product' simplification
Customer's limited knowledge	The simplification product and instruction
Low level of income	Price's change and its specification
Inflation's problems	Alternative pay means
Climate differences	Production's adaptation
Usage in small areas	Improvement of production capacities
Various sources of funding	Production resizing

Source: Doole I., Lowe R.: *International marketing strategy*. International Thomson press, London. 1997.

These trends are the results of three main elements: the markets are more and more homogenous, can be identified more consumer segments and there are more and more producer companies going to globalization.

Through products' standardization, the consumer's buying process is easier, has been made so-called "**comfortable market**" through standardization and union of products' characteristics that compete on the market. The differentiation elements are based on some guarantees, financial settlements that are offered and less on the stressing of products' individual performances.

There are cases in which the standardization isn't possible because of the environment, legislation constraints or of some differences such as the language, the legislation, security requirements, the production possibilities or because some enterprises consider that products' attractiveness can be raised using social factors and habits. For example, the environment factors can provoke sudden or slow product's changes, which can rise or reduce market attractiveness, as table reveals.

Food products are a difficult domain to be standardized because the cooking and

serving are specific to various countries, depending on tradition, culture, religious believes, specific physiological features. Also, the same product can be used in different ways on different markets, partially because of the country's culture but even of geographical and climate factors.

In order to harmonize the standards for a unique market, some problems appeared regarding the possibility to adapt the standards to each country's specific. The problems derive from high expectations regarding health, security and safety issues or on the contrary, from low regulations form different countries. These issues are opportunities for some enterprises – practice which are discouraged seriously by American international groups which control the branches' actions of certain producer companies.

#### **4. Conclusions**

The consumer pays more and more attention and is more demanding concerning the specific features of a product trading. The producer should assume the liability to control, before and after the buying, the services offered to consumer, also to have power over the

guarantees offered to distributors and merchants.

*In consequences, the global standardization should refer, mainly, to divide an organization's activities which operate on the global market.* The producer companies should pay more attention to standardization in order to preserve the costs and prices at a low level and to consolidate the global market position. Even though standardization reduces costs, the enterprises should assure that their offer will satisfy consumers from each country.

The standardization advantages are very significant if the products are adapted to the local market's needs and if the enterprises are interested on investing in standardization of industrial and consumer goods and they allocate financial support for it.

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