

## FROM STANDARDIZED GLOBAL MARKETING TO GLOBAL ONE TO ONE MARKETING: A DEMAND ORIENTED TRANSITION

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**Abstract:** The concept of standard global marketing stands among those subjects that have been discussed in the discipline of marketing and received both positive and negative criticism. One of the features of this concept is that it is not a demand-oriented approach but rather a supply-oriented one. The model developed as an alternative to this model is one to one marketing. One to one marketing has been subject to much criticism especially because it is an application of high-cost. However, especially with the emergence and development of internet, the approach of global one to one marketing has become a strategy adopted intensively by companies of our time. Even though its application opportunities differ with respect to many products, this strategy can be counted among the significant alternatives of today. In this study, the concepts of global standard marketing and global one to one marketing are compared and the process of transition from the former to the latter has been examined.

**Keywords:** Globalization, Global Marketing, One to One Marketing

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### STANDART GLOBAL PAZARLAMADAN GLOBAL BİREBİR PAZARLAMAYA TALEP YÖNLÜ BİR GEÇİŞ

**Özet:** Standart global pazarlama kavramı uzun yıllar pazarlama disiplininde tartışılmış, olumlu ve olumsuz çok sayıda eleştiri almış konulardan biridir. Söz konusu kavramın en önemli özelliklerinden biri talep yönlü değil, arz yönlü bir yaklaşım olmasıdır. Pazarlama literatüründe bu modele getirilen alternatif ise birebir pazarlama olmuştur. Birebir pazarlama ise özellikle yüksek maliyetli bir uygulama olması nedeniyle eleştirilere uğramıştır. Bununla birlikte, özellikle internetin de gelişmesiyle bu iki kavramı bir araya getiren global birebir pazarlama yaklaşımı, günümüz firmalarının yoğun bir şekilde benimsediği bir strateji haline gelmiştir. Uygulanabilme olanakları üründen ürüne farklılık gösterse de, bu strateji günümüzün önemli alternatiflerinden biridir. Bu çalışmada global standart pazarlama kavramı ile global birebir pazarlama kavramı karşılaştırılmakta ve global standart pazarlamadan global birebir pazarlamaya geçiş süreci irdelenmektedir.

**Anahtar Kelimeler:** Globalleşme, Global Pazarlama, Birebir Pazarlama

## I. INTRODUCTION

The increase in the number of firms going global and diminishing trade barriers force all domestic businesses to face the great challenge of international competition as well as domestic competition. In this regard, one of the most common reactions of these businesses to this difficult situation is internationalization. For this reason, many firms focus on establishing subsidiaries which enable them to be closer to world markets and achieve scale and scope economies through increased marketing and production efforts. Nowadays, this close-to-market approach is gaining importance with the introduction of the new concept of global one to one marketing.

The issue whether to treat the world as one market place, or a series of distinct national markets, is not new but it has become increasingly polarized in the academic and business press. As an apparent contradiction, opposing views hold that many markets are on the contrary fragmentation into divergent segments, even

down to groups of specific individuals. Any attempt to outline a new global marketing approach in the 90's therefore has to incorporate both the globalization process and the trend toward individualism. These underlying trends are reflected within the marketing discipline by global marketing and one to one marketing [1].

This new trend changed the old practice of creating a standard product which did not completely satisfy customers and forced companies to reconsider their customers by focusing on their individual needs and wants. This makes it necessary for firms to re-think and reconsider the size of the market segment in the light of individual customers versus large market segments. This paper deals with the important transition from global standardized marketing to global one to one marketing with a special focus of needs and wants.

## II. PRESSURES TOWARD GLOBALIZATION AND GLOBAL MARKETING

It is well accepted by all disciplines that

globalization has dominated many areas of the world. Globalization, which influences the human life with all its strength, is the most popular term of particularly the last two decades. Undeniably, the power of globalization is the result of the latest developments in communication technologies.

It is important to note that there is a big difference between the terms 'globalization' and 'global marketing'. In fact, marketing science has also been influenced by the overall globalization trends occurring throughout the world just as much as any other business function. The outcome, 'globalization of marketing' can be summarized with the term 'global marketing'. Ironically, this term still has different meanings for different people, even among the marketing scholars. Whatever meaning it actually has, global marketing has not occurred overnight.

Globalization has had and still continues to have a direct impact on businesses. In addition, management science has adopted globalization with strategic and tactical approaches on the global level. Other business functions such as human resources and production have also been influenced by globalization. Changes in consumer wants and needs and developments in production and management have created a synergy on this matter.

The growth of competition on a global scale, together with the formation of regional trading blocs and the integration of markets worldwide, suggests the need to adopt a global orientation. Rather than competing on a country-by-country basis, the firm should look for opportunities to utilize its competitive position in one country to compete more effectively in other countries or markets [2].

Halliburton and Jones [1] point out that the factors supporting the global view can be reduced to two complementary arguments in marketing: customer convergence (or demand) factors, and global efficiencies (or supply side) factors. Proponents of the global view advocate both arguments.

According to Beamish, Morrison and Rosenzweig [3] pressures toward globalization can be grouped under three developments:

- ✓ Freer trade
- ✓ Global Financial services and capital markets
- ✓ Advances in communications technology

The removal of tariff and nontariff barriers has been the landmarks of the past decade. Also, the rapid growth of trading blocs led to enjoy freer trade on a regional scale, but not on a global scale for the time being. Therefore, the concept of "free and fair trade" turned out to be a reasonable alternative mostly for

developed countries. The globalization of financial services and capital markets has facilitated the efforts of many businesses to globally integrate their activities. Capital can now be sourced through transnational banks (for example, Citibank), overseas venture capitalists (for example, Investcorp, a Saudi owned firm) and soon, sources such as Internet [3]. It is undeniable that the power of globalization is the result of the latest developments in communication technologies. Satellite systems, internet technologies and many other developments make it possible to communicate effectively around the world.

So far, we have discussed the factors facilitating globalization. But apart from globalization, global marketing also deserves special attention.

### III. THE CRITICISM of GLOBAL MARKETING

Although there are contradictory views on this matter, it can be said that criticism against the idea of global marketing has increased recently. The main topic of all these criticisms is that the global information network carries all the information about products and services across world markets but it would be a pretentious claim to say that all the offerings can be marketed with a standardized marketing mix, at least for the time being.

One of the most important weaknesses of Levitt's thesis is its ignorance of the two market coverage strategies (differentiated marketing and concentrated marketing) and its focus on the undifferentiated strategy only. According to Kustin [4], certain problems exist including the agreement on a definition of a standard product. Is Levitt's definition of a standard global product a slightly altered one (i.e., adapted?), which is priced, packaged, promoted and distributed in the same way to all countries internationally? What constitutes a minor change in the product? Any change that economically alters the product will also effect the other elements of the marketing mix in order to meet the demands of the target market. It is obvious that Levitt's thesis of "global marketing" is nothing more than a outmoded production oriented approach.

Meanwhile it is certain that for some products standardization may be desirable in terms of cost savings. What is being criticized here is the approach of seeing standardization as a remedy for increased costs in general regardless of the specific attributes of products.

As mentioned above, the term globalization, is not a specific term with a specific meaning. Global trade, global finance and particularly global marketing have different meanings. In addition, global marketing has been perceived differently among the academics. A detailed examination of this matter can be found in a

study by Kustin [4]. One of the rigid interpretations of global marketing emphasizes that firms can market their products with a standardized marketing approach around the world. In this regard, one of the great advantages of global marketing approach is scale economies through standardized mass production. Actually, this claim is more challenging than it sounds. At this point, global marketing achieves supply oriented scale economies by concessions on the demand side. One of the most important concessions is ignorance of different customer needs and wants in order to obtain economies of scale and cost savings through standardized products. Also, one of the most obvious disadvantages of global standardized production is investing everything on one, standardized product only. This is a very perilous situation in today's competitive world. Today, competitive advantage has changed from standardized production to flexible production. Also this approach not only ignores the differences in customer wants and needs but also ignores many accepted marketing basics such as "multinational marketing," "market segmentation" and "customer oriented" and "customer centric marketing." So how can a standardized global marketing strategy be a customer oriented strategy at the same time?

There is a big difference between "seeing the world as a single market" and "selling the same thing to all of the world." Probably this is the main reason behind all these disagreements on global marketing. The cost of accepting standardization and ignoring adaptation is lost markets. Seeing the world as a single market is a matter of vision rather than selling the whole world the same products. These two different approaches to the global marketing thought can be a key factor in solving academic discussions. Also, according to Kustin [4] the obvious deficiency has been the lack of empirical evidence to support both globalization or customization theory.

One critical factor that enhances global marketing is the increasing importance of trade blocs. In spite of some claims stating that trade blocs add a synergic contribution to global marketing, it is paradoxically true that about 63 different trade blocs around the world can easily hamper global integration. A living example of this situation is EC where it is not easy to trace a common standardized marketing activity.

Although it often is acknowledged that truly homogeneous segments of consumers do not exist, the approximation is assumed to be sufficiently accurate to provide a reasonable basis for the development of marketing strategy [5]. For instance, although EC is the most sophisticated and successful trade bloc in the world, it is still not easy to detect homogenous consumer demand. For Europe, a question that comes into mind at this point: Do we really need a homogenous demand? According to Allenby, Arora and Ginter [5] demand

heterogeneity is a critical element of marketing. It gives rise to differentiated product offerings, niche strategies, and effective target marketing efforts. During the course of the last decade, researchers have made great strides in understanding the extent of heterogeneity in many product markets.

An additional factor enhancing global marketing is cost savings gained through scale economies. Low costs are always appealing to firms from the standpoint of competitive edge. Possibility of reflecting these cost savings to prices by lowering them has always created a competitive tool for companies. But global marketing or standardized production is not the only way of saving costs. Trade blocs, scale economies, scope economies and even global sourcing may cause important cost savings even without standardizing products. Therefore the old approach of saving costs through scale economies and experience curves are not the most effective tools today.

Also, standardized marketing certainly ignores one of the most important basics of marketing: customer wants and needs. In this regard, global marketing is nothing more than satisfying the wants and needs of specific customer groups by chance and gaining scale economies at the same time. This approach surely ignores differentiated, undifferentiated and focused marketing strategies. There still are customer groups around the world who should be served through differentiated or focused marketing strategies. Instead of trying to adapt to changes in demand, standardized marketing, tries to create a monopoly in demand throughout the world. It is more practical to perceive globalization as a process of doing business by thinking global and acting local; by focusing on the customer and being sensitive to individual needs and wants.

By simultaneously examining the company's international marketing strategy and the way it is organized it is possible to classify firms into various categories (Figure.1. Large firms such as Nestlé would be considered a command company because it operates globally integrated markets and the business system is controlled from headquarters in Switzerland. Nestlé is considered as standardized and centralized. At the other extreme, very small companies new to international marketing recognize global market segments, develop focused market strategies and operate with local economy in the business system. These firms are decentralized and customized or differentiated. In between these two extremes there are firms that possess marketing autonomy or operations autonomy (Figure.1) [6].

#### IV. AGE OF INDIVIDUALIZED MARKETING

An alternative view claims that we have entered the era of "individual" marketing. Over the last two decades postmodernism has become a concept to be

wrestled with for the marketing profession. Postmodernism privileges heterogeneity and individualism [1]. Internet technology and direct mail enable firms to focus on smaller and even individual customers.

|                          |               | International marketing strategy   |   |
|--------------------------|---------------|--|---|
|                          |               | Customized   | Standardized  |
| Organizational processes | Decentralized | <b>Atomistic autonomy</b><br>*global market segments recognized<br>*focused marketing strategies<br>*local autonomy for the business system          | <b>Operations autonomy</b><br>*globally integrated positioning and branding<br>*autonomy in the rest of the business system |
|                          | Centralized   | <b>Marketing autonomy</b><br>*global market segments recognized<br>*differentiated marketing<br>*headquarters control of rest of the business system | <b>Command companies</b><br>*globally integrated markets<br>*headquarters control of the business system                    |

**Figure.1. International Marketing Strategies and Organizational Processes**

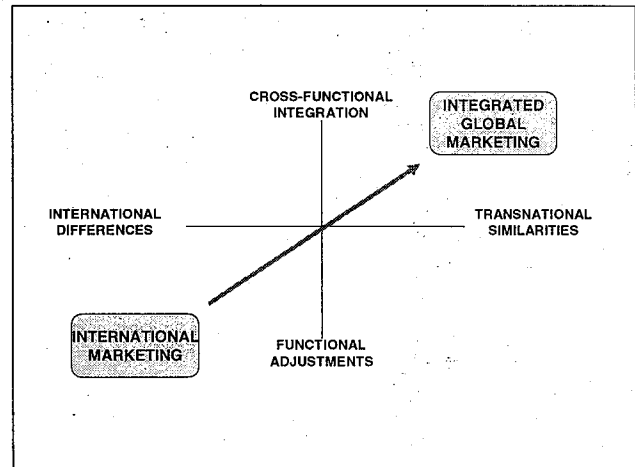
Source: Frank Bradley (2002). *International Marketing Strategy*, Financial Times Prentice Hall, Fourth Edition, p 177 [6].

According to Capon and Hulbert [7], especially the service marketers have a greater possibility of customization compared to goods marketers. Because services are produced and consumed simultaneously, service providers may be able to customize their services easily. Due to the fact that the internet's capabilities are centered on information technology, data storage, and data processing, rather than on employees and physical location, it can be used for customization on a scale that is impossible for traditional service providers to match. For reasons of economies of scale achieved by mass production, product marketers did not generally have this ability. However, the internet, coupled with remarkable breakthroughs in flexible manufacturing technology, now enables customers to specify online exactly what they require. Essentially, customers are able to design their own products. This information is then downloaded to a manufacturing facility where the product is assembled.

According to Sheth and Parvatiyar [8], international marketing will be replaced by integrated global marketing and, in the process, will undergo two dimensional shifts. The first shift to integrated marketing will focus more on cross-functional integration and coordination and less on functional adjustments across national boundaries. The second shift will focus more on transnational similarities for target markets across national boundaries and less on international differences (Figure.2).

Mass customization is one of the specific consequences of transformation from international

differences to transnational similarities. The concept of mass customization refers to standard platforms, but custom applications. It breaks the oxymoron of efficiency of mass production with the effectiveness of personalization of a product or service [8].



**Figure.2. The Transformation of International Marketing to Integrated Global Marketing**

Individualized or personalized marketing requires individualized promotion, individualized distribution channels and even individualized prices. With the help of database marketing now it is easier to keep track of customers and see which ones are loyal and which are not so that some rewarding prices may be offered to loyal customers in order to retain them and for the long term. Also, through the internet, promotions can be made through e-mails and personal choices of customers on the type of direct mail (regular or priority mail, etc.) make it possible to individualize the promotion, price and distribution channels.

Today it is easier for competitors to imitate prices and it is easier for customers to switch brands as they are more conscious of brands, firms, etc. through the widespread use of information technologies. Also, it is very difficult for customers to differentiate competing products. The one-size-fits-all approach is not a desirable model for these customers.

Transition from standardized global marketing to global one to one marketing is not an overnight process. There are many important contributions that make this transition easy. In this regard, the contribution of new production approaches to one to one marketing is undeniable. Particularly, concepts such as lean production, flexible production and customized production are one of the biggest contributions of production technology to this matter. In fact, this is the happy marriage of marketing and production. It is for certain that concepts such as customer-oriented

marketing, one to one marketing, individual marketing and even relationship marketing owe their success, if there is any, to developments in production technologies.

Also information technology is the biggest accelerator of one to one marketing. All these developments have decreased the cost of making changes which enables the firm to modify its products and offer a great variety of choices to its customers. In brief, globalization has influenced all dimensions of businesses conceptually and carried all these concepts to world markets with new practices all around the world.

Sometimes firms learn that they have customized their products not by design but by accident. For example, in the late 1980s Unilever discovered to its horror that for no apparent reason it was using eighty-five different recipes for its chicken soups and fifteen different shapes for cones for its Cornetto ice creams in Europe. Once the problem was detected, Unilever quickly standardized its ice cream cone design and slashed the number of chicken soup flavors it offered European customers, thereby reducing its production and inventory costs and simplifying its distribution requirements [9].

Another important factor enhancing one to one marketing is the development of interactive technologies. Interactive technologies allow customers to interact with a company and specify their unique requirements. With its erratic speed, communication technology has caused increased communication among countries and their people regardless of economic development level of these countries. As a result of this, life standards and the quality of life have increased dramatically. Advanced communication systems and channels have made it possible to transfer all market information such as products and/or services, their prices and extra product related services to overseas markets.

Among the factors impeding globalization and global market concept and thereby enhancing one to one marketing, is the globalization of the freedom of minority cultures. As the world is becoming a world of individual identities and cultures, consumption culture and consumption behavior will also become more heterogeneous. It is possible to see a new market model with differing individual preferences as a result of different micro cultures. Heterogeneous nature of demand is a critical and important factor in marketing. Such a market requires differentiated marketing policies aiming at different individual tastes.

Another impetus behind one to one marketing is the change in production and management technologies encouraged by "demand pull" and "technology push" factors.

## V. WHAT IS AND IS NOT ONE TO ONE MARKETING

Contrary to the acclaimed thesis, globalization did not lead to limited brands dominating world markets, as one to one marketing created a big opportunity for a great number of brands within mass one to one marketing. Global competition has created global brands and a great variety of products on a global scale.

**One to One Marketing Is Nothing More Than the Extreme Level of Market Segmentation.** Even when using one to one marketing, it should be remembered that one to one marketing is the most extreme form of market segmentation. In this regard, one to one marketing is not contrary to and different from market segmentation. One to one marketing does not ignore market segmentation, instead, it exploits market segmentation with full effort by appealing to individuals who make up the smallest market segment in any market.

**By focusing on Individuals, firms should not ignore the whole market.** At this point we think that although one to one marketing is not different from market segmentation, one to one marketing does not mean that a firm does not need a target market. Certainly, before practicing one to one marketing approach, a firm should specify a target market and identify their needs and wants. And according to these predetermined needs and wants, firms should offer various alternatives to its customers. So, focusing on individuals should not mean ignoring the whole target market.

**One to One Marketing should not be a sales focused concept.** According to Webcmo, the most important function in marketing is not the final sales (although it is important) but to determine the direction of the business developments to determine the targeting segment(s) and to develop products/services to meet the needs of the targeted segment(s). But the most important drawback of one to one marketing is the fact that it is a sales oriented approach rather than a marketing oriented approach.

Contrary to customization, mass customization, which is a widely practiced strategy in different industries by different firms like Dell Computers, Levi's and BMW, is a business style which should be shared by all departments, subsidiary firms, etc. Individual responses to customer wants does not go beyond an individual customer oriented approach used by an employee. The difference of mass customization is 'being ready to satisfy the same need whenever it is requested by the same customer or any other individual customer.'

Through mass customization, customers are offered the opportunity to have tailor-made products or services assembled from a large choice of parts, delivered

through a made-to-order service. An example is the Japanese Bicycle Industry which has its customers compose their own bicycle from more than 11 million possible combinations of parts. The bicycle is largely assembled by robots and shipped to the dealer or directly to the customer. Dell builds personal computers to order, and Toyota is developing a system that will allow individual customers to select features for a car which can be delivered at the customer's home address a few days after the order is made [10].

## VI. REQUIREMENTS OF GLOBAL ONE TO ONE MARKETING

In order to be successful with one to one marketing, firms should acquire certain capabilities and form an appropriate infrastructure. These important points are discussed below:

### **Adequate Information on Individual Customer.**

One of the first sine qua non for one to one marketing is obtaining a satisfactory amount of information on individual customers. What kind of information should a firm collect? This information can range from their birth dates to their individual tastes, price ranges they are willing to pay in general, reasons of their usage of product, etc. But we think that may be the first and most important question a firm should try to find an answer is "who is my customer?" It should be noted that we did not say "who are my customers?" There is a great difference between these two questions. While the latter has a more general and classifying (into market segments) approach the former has a "focused on individual" approach. Without satisfactory knowledge about its individual customers (ie. answers to "who are they" and "what they want individually"), a firm cannot be successful in pursuing the one to one marketing approach. These questions, as long as they are individually focused, are the starting point of one to one marketing.

**Speed is Important for one to one Marketing.** In the age of speed, it is very obvious that slow motion companies will not be the competitive companies of this decade. Speed is important for a firm because the online system is very fast and it is very easy and quick to order a product or a service online, and the firm must react in a short time to this demand. Speed is going to be one of the most important competitive advantages of our times.

One of the most important considerations for one to one marketing is to see it as an integrated business approach which means that all the departments in all subsidiaries should adopt it completely. One little defect in this matter can easily spoil the image related success of firm in the view of global customers. In this regard, One to One Marketing is more than a sales approach. It is an integrated approach that must permeate all departments of an organization: marketing, production, finance, etc. In

fact, One to One Marketing should be regarded as the vision that drives the whole company.

## VII. CONCLUSION

One to one marketing is among the most popular terms of marketing literature nowadays. Essentially, it has spread so widely and so rapidly that there is nothing new in one to one marketing anymore. What is new to the marketing world is global one to one marketing. Cultural differences exist among nations. Maybe the most important unit to begin looking for cultural differences is the individual. Global one to one marketing takes the customization approach and practices it on a global scale around the world. In spite of its high practicing costs, today's fierce competition justifies global one to one marketing because it allows firms to satisfy specific needs, become profitable and remain in competition. In this regard, customization is the essence of marketing which focuses on needs and wants of each and every customer. Managers of international firms should adopt a more global approach to marketing and be aware of potential benefits of one to one marketing.

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