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International Marketing Standardization and Financial Performance of Mobile Network Operators

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Content

Abstract

This study explores the degrees to which service firms standardize marketing instruments in their foreign subsidiaries. It also analyzes associations between international standardization of marketing instruments and company financial performance criteria in an industry study of mobile network operators. 15 mobile network operator corporations with substantial international business activities and 65 of their respective foreign majority-controlled affiliates were included in the empirical analysis. Results show that levels of international marketing standardization vary substantially among the four program areas of the marketing mix. Product policy is most standardized internationally with an unweighted index value of 60.47%, while pricing procedures still reach a level of 54.07%. International standardization of distribution (42.19%) and promotion policy (33.33%) is significantly lower. No significant relations between international marketing standardization and performance of mobile network operators were found at the corporate level of analysis. However, at the subsidiary level of analysis international product standardization and, to a lesser degree, price standardization are significantly and positively related to the foreign affiliates' EBITDA margin and market share when the PLS approach is used to construct latent standardization measures comprising weighted additive combinations of various marketing mix indicators.

Keywords: Adaptation, international marketing, mobile network operators, partial least squares, standardization, telecommunication services.

JEL-Code: L96, M31

1. Introduction

The international marketing literature abounds with conceptual studies that compare the cross-country standardization and adaptation issues for both marketing instruments and processes.[1] There is also a considerable body of empirical research that studies associations between the degree of international marketing standardization and corporate/business unit/marketing performance measures. Unfortunately, pertinent empirical research results are equivocal.[2] Findings from about 50 empirical studies do not consistently support either positive or negative correlations between marketing standardization measures, either at the level of individual marketing mix instruments and of cross-instrument aggregations on the one hand and various marketing or company performance criteria on the other hand.[3] Consequently, many authors see a need for further research.[4]

One research avenue that may shed additional light on the economic performance impacts of differing degrees of marketing standardization is to look at the latter construct in a narrower, industry-specific context. The present investigation follows this avenue, exploring standardization–performance associations for companies in a single non-manufacturing industry, the mobile telecommunications services industry. Not only are considerable amounts of resources spent on marketing by mobile network operators (MNOs), but all four categories of marketing instruments have previously been referred to as key performance drivers of the mobile industry (*Gerpott* 2002b, 55-65). Further, there has been an increasing internationalization of large MNOs for a substantial number of industry players, with some of them generating up

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1 Cf. *Richter* (2002, 19-22). Apart from marketing instruments, processes that can be characterized as tools that “aid in program development and implementation” (*Jain* (1989, 71)) are a second theme in marketing standardization research (cf. *Bolz* (1992, 4); *Li/Cavusgil* (1995, 259); *Özsomer* et al. (1991, 52); *Zou/Cavusgil* (2002, 49-50)). A multitude of constituencies and complexities make the empirical analysis of marketing processes extremely demanding and explain heterogeneous previous findings (*Clark* (1999, 719); *Meffert/Bolz* (1999, 443, 449, 455-456); *Zou/Cavusgil* (2002, 52)). Therefore, international marketing process standardization and its relation to company performance criteria are not addressed in the present study.

2 *Meffert/Bolz* (1999, 448); *Ryans/Griffith* (2003, 294-295); *Theodosiou/Leonidou* (2003, 141-142, 162).

3 *Richter* (2002, 89-90); *Theodosiou/Leonidou* (2003, 143); *Zou/Cavusgil* (2002, 42).

4 *Jain* (1989, 71); *Ryans* et al. (2003, 598); *Theodosiou/Leonidou* (2003, 167).

to 85.9% of their sales in foreign markets in the year 2003 (*Gerpott/Jakopin* 2004, 10).

In the recent past, MNOs have provided numerous examples of large, expensive brand-name standardizations after expanding their business internationally. For instance, *British Telecom* spin-off *mmO2* rebranded its German subsidiary *Viag Interkom* after seven years of commercial presence in May 2002. *France Telecom* chose to rebrand its domestic mobile business in 2001 after acquiring the British operator *Orange*, and German *T-Mobile* and British *Vodafone* changed the well-established operator brands of *Voicestream* in the U.S. and *Mannesmann* in Germany in 2002 and 2001, respectively. In contrast, other MNOs perpetuate foreign brands, as in the case of *KPN*'s German affiliate *E-Plus* or *Tele2*'s foreign operations (*Whalley/Curwen* 2003, 15). In addition, because of the increased visibility of international roaming/underlying tariffs and oligopolistic market structures that may lead to regulatory intervention by national authorities, international pricing and the degree of deviation between price levels in different countries serviced by the same firm is an emerging issue in the mobile industry.

In light of the general inconsistencies and lack of (service)-industry-specific findings as well as an increasing relevance of international marketing strategy to MNOs, the purpose of this study is twofold. First, it analyzes the degree to which MNOs standardize marketing instruments in their foreign subsidiaries, and second it explores the associations between levels of international standardization of marketing instruments and company performance criteria. To do so, a sample of major MNOs with substantial cross-country activities is used.

Our study is limited to the marketing mix instruments that are traditionally differentiated in the literature as key ingredients of any marketing strategy.[5] Although there are some authors who suggest that single marketing instruments—especially pricing and distribution—are particularly underresearched in the international marketing stan-

5 *Kotler* (2003, 15-16); *Nieschlag* et al. (2002, 20).