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Standardized global advertising strategy use by multinational high technology companies

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high technology companies**

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San Jose State University, 1994

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STANDARDIZED GLOBAL ADVERTISING STRATEGY USE
BY MULTINATIONAL HIGH TECHNOLOGY COMPANIES

A Thesis

Presented to

The Faculty of the School of Journalism and Mass Communications
San Jose State University

In Partial Fulfillment
of the Requirements for the Degree
Master of Science

by

Robert T. Nelson

May, 1994

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ABSTRACT

STANDARDIZED GLOBAL ADVERTISING STRATEGY USE BY MULTINATIONAL HIGH TECHNOLOGY COMPANIES

by Robert T. Nelson

This research examined use of three major models of global advertising strategy by multinational high technology companies to determine how many used the standardization model. Personal computer and software companies were surveyed for their use of standardization, pattern standardization and localization strategy models and the factors that supported use. The literature said that because high technology companies market products that are bought and sold in the same manner everywhere, they would most likely be on the standardization model end of a theoretical global advertising strategy continuum, not in the middle (pattern standardization) or on the opposite end (localization). The results of this study showed that high technology companies are no more likely to be on the standardization end of the theoretical global advertising continuum than other multinational companies.

Table of Contents

Chapter	Page
I. Introduction and Statement of Purpose.....	1
Introduction.....	1
Purpose of the Study.....	3
II. Literature Review.....	5
Introduction.....	5
Standardization Model.....	5
Localization Model.....	11
Pattern Standardization Model.....	11
III. Methodology.....	18
Method of Observation.....	18
Sampling: Frame and Method.....	18
Variables.....	19
Survey Instrument.....	20
Data Analysis.....	20
IV. Research Findings.....	21
Summary of Results.....	21
Detailed Results.....	23
V. Conclusion.....	38
Discussion.....	38
Summary.....	41
Directions for Future Research.....	42
References.....	44
Appendix Questionnaire.....	47

List of Tables

Table	Page
1. Ranking of Factors That Support Current Strategy.....	27
2. Importance of Factors That Support Current Strategy.....	29
3. Ranking of Factors That Constrain Use of Standardization.....	31
4. Importance of Factors That Constrain Use of Standardization.....	33

I. Introduction and Statement of Purpose

Introduction

Levitt (1983) maintained that multinational companies that use a standardized global advertising strategy could translate the economy-of-scale benefits derived from using the strategy into lower world prices and improve their competitive position.

The standardization model offers many potential benefits to multinational companies that compete globally, including a consistent worldwide image, economies of scale, improved planning and control, and overall high quality of content and execution. The importance of these potential benefits to competitive success in a global economy has led researchers to investigate the general use, constraints and effectiveness of global advertising strategy models.

There are three global advertising strategy models in use today by multinational companies: standardization, localization and pattern standardization.

Standardization assumes that both strategy and execution are implemented globally with language translation as the only change in content. Organizational control is highly centralized and a single worldwide advertising agency is generally used to ensure global uniformity of strategy and message.

Localization implements strategy and execution on a country-by-country basis with great attention paid to local needs. Organizational control is highly decentralized and local advertising agencies are used to ensure that strategies and messages are sensitive to local conditions.

Pattern standardization is also referred to as a balanced, blended, combination or compromise model. It is a global advertising strategy with local execution. Strategy, basic creative work and the selection of overall themes and appeals are centralized and coordinated in a global advertising agency. Countries are primarily responsible for media selection and the adaptation of advertising appeals.

A number of small convenience sample studies have been conducted among U.S.- based multinational companies to determine which advertising strategy model is used most often. Other research has attempted to identify factors that encourage or discourage standardization.

Several studies have posited the existence of a theoretical global advertising strategy continuum. One study conducted by Hite and Fraser (1988) found that just eight percent of the multinational companies they surveyed used the standardization model, 36% used the localization model and 56% used the pattern standardization model. They noted that the on-going strategic issue of which model to use can be viewed in terms of a continuum with standardization on one end and localization on the other. The pattern standardization model would be at midpoint on the continuum. Studies have also suggested that high technology companies are most likely to be placed on the standardization end of the continuum because technology products are bought and used for the same reasons in every country, a key criterion for use of the standardization model (Domzal & Unger, 1987; Douglas & Wind, 1987). This reinforces the view held by many researchers that brands and products that are used in the same way and meet the same needs from country to country enable

development of a uniform global image throughout the world. High technology products have a distinct world market with the same set of needs and a common technical language.

Purpose of the Study

The purpose of this study was to investigate the extent of standardized global advertising strategy use by multinational high technology companies and the factors that support use. The research also served as a pilot study for the purpose of generating grounded theory to see if the continuum model held.

This study was built upon the more general multinational company research conducted to date. It focused, however, specifically on multinational personal computer and software firms, high technology companies that spend the largest amount of global advertising dollars in the computer industry (*Advertising Age*, 1993). Previous studies have also indicated that these high technology companies most fully meet the criteria necessary to adopt the standardization model and benefit from its implementation.

This study determined the number of multinational personal computer and software companies, as a sub-set of high technology, that use the standardization model of global advertising strategy and determined the factors that enable use. Additionally, it determined how many companies use alternative models and what external and internal barriers prevent them from using the standardization model. A high incidence of standardization model usage would confirm the assumptions of previous, more generalized research by supporting the continuum theory.

The research hypothesis was: more multinational high technology companies are located on the standardization model end of a theoretical global advertising strategy continuum than in the middle (pattern standardization model) or opposite end (localization model). Therefore, a plurality of multinational personal computer and software companies use the standardization model.

II. Literature Review

Introduction

The growth of world competition, integration of international markets, and the emergence of global brands and products are driving some multinational companies to develop standardized global advertising campaigns. The promises of economies of scale, consistent brand image and other important benefits make the consideration of a standardized global advertising strategy a competitive imperative for most multinational companies.

There has been considerable discussion, however, in the marketing and advertising literature about the efficacy of using a unified approach that would standardize both strategy and execution globally. Proponents argue that a standardized strategy can be effective because the world is becoming a common marketplace in which people desire the same products and lifestyles. Critics contend that a standardized strategy cannot be effective because global advertising strategies must allow for adaptation to local market factors like culture and government regulations.

This review provides a summary of the literature on global advertising strategy models. It examines the key assumptions underlying their philosophies and considers their benefits. It also reviews constraints to their implementation. Finally, it provides a summary conclusion.

Standardization Model

The standardized global advertising strategy model assumes that both strategy and execution are implemented globally with language translation as the only change in content. Organizational control is highly centralized and a

single worldwide advertising agency is generally used to ensure global uniformity of strategy and message.

Levitt is the leading proponent of global standardization. In his seminal *Harvard Business Review* article (1983) on the globalization of markets, he contended that technology is driving the world toward a converging commonality that is creating a global market for standardized products. He argued that multinational companies that recognize this fact and can translate the benefits of the resulting economies of scale into lower world prices can improve their competitive position.

Levitt maintained that the standardized approach to a global strategy is based on three key underlying assumptions:

1. customer needs and interests are becoming increasingly homogeneous worldwide.
2. people around the world are willing to sacrifice preferences in product features, functions, designs and the like for lower prices at high quality.
3. substantial economies of scale in production and marketing can be achieved through supplying global markets.

Domzal and Unger (1987) also found that there is considerable evidence of similarities in needs around the world. They noted that technology, particularly in transportation and communication, has brought the world closer together. They concluded that there is a universal drive among multinationals around the world to deliver the best product performance and the best

quality/value product and said that companies are placed at a competitive disadvantage by not embracing a global strategy. Further, they argued that successful global marketers segment the world market according to consumer similarities, based on their product or lifestyle needs.

Jordan (1988) also found that countries around the world are starting to converge in a number of important ways: falling birth rates, the decline of the nuclear family, more working women, more leisure time and other socioeconomic similarities. At the same time, he said, global advertising has become more attractive because populations of the industrialized world are growing more slowly and competition for market share has increased. He also explained that product quality is converging, so a multinational that enjoys a technological edge over the competition won't enjoy it for long. And, he said that companies are looking for more efficient ways to reach consumers.

McGarry (1988) contended that there are more opportunities than ever to conduct business across borders and cultures because of increasing similarities between markets and populations, media overlaps and the integration of the EEC. And, Quelch and Hoff (1986) maintained that marketing can contribute to scale economies most significantly by creating a standard global product design that can be advertised through standard commercial executions.

Keegan (1989) argued that industrial products and many consumer products can be advertised globally. He said that the basic issues are whether there is a global market for the product and whether the products are bought and used for the same reasons in every country. Terpstra (1987) agreed with

Keegan. He said that, if the product is used in the same way and meets the same needs from country to country, similar advertising appeals are more feasible.

Douglas and Wind (1987) also found that companies with global industrial markets can benefit from a global strategy because the markets have similar needs and requirements. They also contended that certain world market segments like luxury or premium products have similar needs and wants. Marketing of global products to these target segments enables development of a uniform global image throughout the world. They pointed out that product and advertising copy standardization and the development of a global image are unique to global standardization. Copeland and Griggs (1985) added that some products can succeed with a consistent advertising appeal around the world. They said that certain cultural sub-groups have much in common. Domzal and Unger (1987) posited that high technology products and image-oriented products may be easier to develop and advertise as standardized global brands.

Standardization strategies and campaigns appear most appropriate and effective when the product is utilitarian and the message is informational (McCollum Spielman, 1992). They argued that a standardized campaign would also appear to be appropriate and effective when the brand's identity and desirability are integrally linked to a specific national character, like Coca Cola or McDonald's.

Hite and Fraser (1988) reported that eight percent of the U.S. multinational companies that advertise internationally use the standardization

model. They found that corporations with well known and accepted brand names are more likely to be successful using greater levels of standardization than companies without brand recognition and acceptance. They also said that companies utilizing a total standardization approach are more likely to be involved in capital goods industries and are more likely to use a single U.S. advertising agency.

The key benefits of a standardized global campaign approach are a consistent worldwide image, improved planning and control, exploitation of good ideas on a broader geographic scale and advertising materials cost savings (Douglas & Wind, 1987; Hite & Fraser, 1988; Mueller, 1992).

Roth (1982) noted that standardization of programs and centralization of marketing and advertising will always be more cost effective than localization of programs and decentralization of organizations. By standardizing advertising appeals, it is possible to increase the effectiveness of the advertising budget or to reduce its size and improve the overall quality of campaigns (Keegan, 1989; Terpstra, 1987).

Implementation of a standardized strategy is dependent on the existence of a global market segment, potential synergies from standardization and the availability of a communications and distribution infrastructure (Douglas & Wind, 1987). They also noted several external and internal constraints that restrict a multinational's ability to develop and implement a standardized strategy. External constraints are government and trade restrictions; differences in the marketing infrastructure, such as the availability and effectiveness of promotional media; the differences in the availability and cost of resources; and,

differences in competition from one country to another. They also pointed out internal constraints such as compatibility with the existing network of operations overseas and the lack of enthusiasm among local management towards a standardized strategy.

Mueller (1992) found that multinationals considering standardized programs must consider differences among countries such as culture, stage of economic and industrial development, stage of product life cycle, media availability, and legal restrictions.

Roth (1982) wrote that marketing dissimilar products that have different appeals, legal restrictions, socioeconomic factors and the local competitive situation are potential constraints to the implementation of a standardized global strategy. He added that the failure to understand and appreciate the foreign environment is one of the most common factors creating overseas marketing errors. Ricks (1983) agreed that cultural differences can be major obstacles to the implementation of standardized advertising. He said that many blunders have been made by firms that failed to study local customs carefully. McCollum Spielman (1992) corroborated the existence of multi-cultural factors in the global marketplace and the need for advertiser sensitivity to cross cultural differences. McGarry (1988) argued that marketers who underestimate cultural and market differences run the risk of breaking their connection with consumers.

Internal organizational factors can also be major constraints to standardization. Yip, Loewe and Yoshino (1988) contended that organizational structure, management processes, people and culture all affect the ability of an organization to develop and implement a global strategy. Bartlett and Ghoshal

(1988) added that multinational companies that do not have strategic control of their worldwide operations and manage them in a globally coordinated manner will not succeed in the international marketplace. Quelch and Hoff (1986) found that strong local country managers of multinationals are less willing to accept global programs.

Localization Model

The localized global advertising strategy model implements strategy and execution on a country-by-country basis with great attention paid to local needs. Organizational control is highly decentralized and local advertising agencies are used to ensure that strategies and messages are sensitive to local conditions.

Localization is used when the volume of international business is too small to warrant attention from a central headquarters, when headquarters to field communication is poor, when multinationals desire a stronger local country image, and when there is evidence that local managers know their markets better (Terpstra, 1987).

Roth (1982) found that multinationals localize their global strategies when local managers are responsible for marketing at every functional level and guidelines from headquarters are broad. He also noted that considerable localization and decentralization are required when advertising is used to support consumer packaged goods and impulse purchase products. He contended that local management is better positioned to handle both strategy and execution when consumers buy for different reasons. Further, he noted that

the more a product's appeal depends on local taste, habit, custom and ideas of beauty, the more localization is needed.

Cultural differences are most often cited as the key reasons for multinationals to develop localized advertising campaigns. Ricks (1983) found that if a theme works well in one country, then multinationals consider using it elsewhere. He concluded that the risks involved in doing this are high because good themes many times are culturally-oriented.

Copeland and Griggs (1985) argued that people buy the same product, but for different reasons in different countries of the world. They wrote that in any culture ads have more power if they communicate in contemporary imagery and play on prevailing sentiments. They also found that advertising must adjust to the limitations of the consumer's experience.

Mueller (1992) contended that many international advertising blunders have been made because a specialized local approach was not taken. She compared Japanese advertisements with American advertisements for similar products and observed differences between the two types. Advertisements of each country exhibited some degree of sensitivity to the cultural uniqueness of each market.

Other researchers also noted the uniqueness of nations. "As a result of increasing international media, products and companies, trend researchers like John Naisbitt predict a superficial standardization in international consumer habits. Simultaneously, there is a trend to individualism in all countries, based on religious, cultural, lingual, national and personal values. General norms and values are losing relevance while emotional attitudes and a personal mix of

values are getting more important. As a consequence, consumers are asking for customized products and services" (McCollum Spielman, 1992, p. 20). Further, McCollum Spielman wrote that it is difficult for advertisers to find common ground among societies as they are presently constituted.

Kanso (1992) found that communication is largely determined by cultural conditions and concluded that multinationals should consider each foreign business opportunity as a unique challenge.

Hite and Fraser (1988) found that 36% of U.S. multinationals who advertise internationally use all localized advertising. They noted that concern over unique behavioral patterns or attitudes in foreign markets encouraged localized decision making.

A localization strategy brings flexibility to react to local situations; in-depth knowledge of consumers' customs, habits and preferences; and, correct interpretation of cultural differences (Roth, 1982). He also contended that, if laws pertain to product use, a localized approach is better.

Terpstra (1987) wrote that multinationals would benefit from well motivated local country management and the potential for a higher degree of effectiveness from well-tailored programs.

Localized strategy and execution increases costs through duplication of efforts (Terpstra, 1987). He also found that advertising is often ineffective, especially in smaller countries. Quelch and Hoff (1986) noted that local control of advertising can lead to inconsistent brand identities because the increasing degree to which consumers in one country are exposed to brand advertising in

another will not enhance the corporate image or brand development in the consumer's home country.

Pattern Standardization

The pattern standardization global advertising strategy model is also referred to as a balanced model, a blended model, a combination model or a compromise model. It is a global advertising strategy and local execution. Strategy, basic creative work and the selection of overall themes and appeals are centralized and coordinated in a global advertising agency. Local countries are primarily responsible for media selection and the adaptation of advertising appeals.

Roth (1982) explained that pattern standardization can be implemented by using area operating groups; central direction, but local examination and adaptation; and, local execution with augmentation by global staff marketing. Terpstra (1987) noted that global headquarters set the objectives, establish the budget and guidelines, and coordinate campaign implementation, while local countries create their own advertising within the guidelines.

Douglas and Wind (1987) found that within multinational companies, internal forces create pressures toward the integration of strategy across national boundaries, but differences in the sociocultural, political and economic characteristics of countries favor adaptation to the local environment. They concluded that "economic success or profitability in international markets is viewed as contingent on the rationalization of activities across national boundaries" (p. 20). They offered an alternative to standardization and localization strategies where each strategic decision is made on its own merits,

allowing multinationals the flexibility either to respond to pressures for national responsiveness or alternatively to move towards a global strategy.

Quelch and Hoff (1986) argued that multinational executives often view global advertising as an either/or proposition. That is, either full standardization or local control. They contended that a global approach can fall anywhere on a spectrum from tight worldwide coordination to loose agreements, but a more flexible approach should be used. They noted that managers need to tailor the approach they use to each element of the marketing program.

Jordan (1988) found that organizing a firm's advertising efforts along global lines is replacing the localization model. He reported that 50 of the largest multinational marketers were in the process of centralizing their corporate structures along regional lines.

Kashani (1989) argued that when an advertising program is burdened with too many standards, local inventiveness and experimentation close to the market dries up. He contended that local innovation is what a global program needs to keep itself updated and responsive to evolving market conditions.

Domzal and Unger (1987) wrote that the global strategy and local execution of the pattern standardization model offers worldwide consistency in brand image while tailoring the message to local cultures and tastes. Copeland and Griggs (1985) explained that: "It's one thing to believe in global marketing. Many have tried it, but when faced with realities, have been unable to put it into effect. A global assignment still requires you to look at each market" (p. 47). McGarry (1988) explained that when exporting advertising campaigns to other countries, a fine balance must be drawn between arguments from a local office

that campaigns won't work in their country and the need to implement a global strategy.

McCollum Spielman (1992) contended that, for most products, it is generally more appropriate and effective to gear strategies and campaigns to local customs and cultures: "think global, act local" (p. 3). Further, they found that advertisers must consider a multicultural, adaptable and flexible strategy or campaign if the brand is in different stages of development or of varying stature across different markets. Dillon (1991) and Kanso (1992) also noted that a global commitment to local vision is needed for successful international advertising.

Hite and Fraser (1988) found that 56% of those U.S. multinationals that advertise internationally use a combination of localized and standardized advertising, the most used of all global advertising strategy models. They noted that the majority of the multinationals reported that it is important to adapt advertising language, models, scenic backgrounds and product attributes to blend with the local culture.

Several key benefits accrue to those multinational companies that use some form of pattern standardization. Roth (1982) noted that an assurance of high quality advertising in local markets, global strategy coordination, global positioning, strong creative guidance, attention to local environment concerns and some economies of scale are all benefits of a more balanced approach.

Yip, Loewe and Yoshino (1988) contended that multinationals can save money by taking a good idea and maximizing it in a number of countries. They

also concluded that promoting one or two brands globally built a stronger brand image.

One of the biggest constraints to the adoption of this model is the local manager's belief that his/her consumers are unique, with wants and needs that are different from the rest of the world's (Jordan, 1988). Yip, Loewe and Yoshino (1988) found several organizational constraints. They noted that an organization's management structure, management processes, people and corporate culture all influence how well a multinational can implement a global strategy.

Kim and Mauborgne (1991) argued that global strategy decision making is significantly influenced by the attitudes and behavior of local management. They contended that managers within multinationals are highly concerned with the perceived fairness of the decision making process. They said "global strategy means little if it is not supported by members of global units" (p. 141).

III. Methodology

Method of Observation

A mail survey method was used to gather information about the characteristics of multinational personal computer and software companies because of the wide geographic dispersion of those firms within the United States. A structured, 22-question self-administered questionnaire (Appendix) was used to collect the data. This method was cost effective, simple to administer, provided specific and quantifiable information and was easy to tabulate and analyze.

The questionnaire was pretested for comprehension and clarity by five advertising professionals in the San Francisco Bay Area in September, 1993. Refinements were made to the questionnaire based upon their input. The questionnaire was mailed with a letter of explanation on October 1, 1993 to those individuals who worked for personal computer and software companies and had the highest level of responsibility for global advertising programs. A stamped return envelope was provided to help increase the first wave response rate, which was 29%. A second wave mailing was made four weeks after the initial mailing, which increased the response rate to 40%. Telephone follow-up was conducted the first week of December, 1993 and the first week of January, 1994 to again help improve the response rate. Additional questionnaires were faxed to respondents for their completion during these follow-ups.

Sampling: Frame and Method

The sampling frame for this study was all multinational personal computer firms and software companies with offices located within the United

States who sell products worldwide and had at least .05% market share outside of the United States. IBM, Compaq, Hewlett Packard, Word Perfect and Oracle are examples of companies surveyed. Of the 75 total companies surveyed, 39 responded for a 52% response rate. The list was drawn from 1991 unit shipment lists by world geographic regions obtained from International Data Corporation, a computer industry research firm. The 1991 lists were the most current available data when the research was conducted. The unit of analysis was multinational personal computer and software companies.

The research is qualitative and quantitative, and is not generalizable to the total high technology company population as a whole.

Variables

The personal computer and software product companies within the high technology industry were the independent variables and the global advertising strategy models were the dependent variables. Multinational personal computer and software companies were defined as any personal computer or software company with offices within the United States which sell products worldwide. Global advertising strategies were defined as follows: The standardization model uses global strategy and execution with language translation as the only change in content. The localization model uses local strategy and local execution. The pattern standardization model uses global strategy with local execution.

Survey Instrument

The questionnaire measured three key areas: 1) what global advertising strategy model was used, 2) what factors supported the use of the model, and,

3) what factors constrained the use of the standardized model. Additional data was also collected for analysis.

Data Analysis

A Chi-Square test for significance was used to determine if the hypothesis was confirmed. For classification and scale data, simple measurement for mode and mean was used. Ranking was used for ordinal data.

IV. Research Findings

Summary of Results

Hite and Fraser (1988) and others had theorized the existence of a continuum with standardization and localization on either end with pattern standardization in the middle. They also contended that industrial or capital goods multinational companies tended to use standardization strategies and therefore would be on that end of the continuum. Further, the literature showed that high technology products would be easier to develop and advertise as standardized global brands (Domzal & Unger, 1987). The hypothesis was developed on the assumption that high technology companies such as industrial multinational companies whose products are sold and bought for the same reasons everywhere are likely candidates to accrue the benefits of standardization.

The results of this study do not support the hypothesis that a majority of multinational personal computer and software companies use the standardization global advertising strategy model. In fact, where these high technology companies were located on the theoretical strategy model continuum tended to mirror the results of a previous study done by Hite and Fraser (1988) among a broader population of multinational companies.

That study found that just eight percent of those surveyed used the standardization model, 36% used the localization model and the majority, 56%, used pattern standardization. By contrast, 13% of the high technology companies in this survey used the standardization strategy model, 41% used localization and 46% used the pattern standardization global advertising

strategy model. No statistically significant differences were observed between the two studies.

There appeared, however, to be a trend toward standardization driven by company emphasis on creating a worldwide identity and brand image, which the literature showed to be unique to the standardization strategy. A majority of standardization and pattern standardization model companies switched to their current strategies within the last three years, while less than 20% of localization strategy companies changed to their current strategy in the same time frame. Further, over 60% of all respondents said their previous strategy was localization and over one third said they would be changing strategies within the next year, primarily to create a more consistent global image.

The key benefits of a standardized global campaign approach were also evident when those factors supporting the use of current strategies were examined. Worldwide image was ranked number one followed by global strategy coordination, both emphasized as benefits of the standardization model. However, worldwide image dropped to fourth position when respondents were asked the importance of those same factors. Again, a majority of standardization and pattern standardization companies felt worldwide image was very important, but knowledge of local culture was viewed as most important by all respondents. This may be because importance was defined as a combination of the very important and fairly important categories, not just the very important category. Worldwide image was the most important factor when the very important category alone was considered.

Respondents were also asked to rank those factors that would most constrain them from using a standardization model strategy. The literature made clear that cultural differences was the most important constraining influence and that was borne out in this research. Three-fourths of all respondents ranked cultural differences number one and the same number cited cultural differences as very/fairly important. Only 20% of standardization companies felt that cultural differences was a constraining factor, while a majority of both pattern standardization and localization companies indicated it was a major constraining influence. This is consistent with the great attention paid to local needs by both of those models.

All models were also true to type with regard to how they organized to address the market. Standardization model companies were primarily centralized and used U.S. - based agencies to ensure uniformity of strategy and message. Pattern standardization companies were decentralized and implemented advertising through U.S. - based international agencies to control the implementation of global strategies in local countries. Localization companies were even more highly decentralized and most often used local country agencies for both creative and media to ensure cultural differences were addressed.

Detailed Results

The hypothesis was not supported. A Chi-Square analysis of the pattern distribution indicated that there were no statistical differences between other multinational companies and high technology companies. High technology

companies were no more likely to use the standardization model than a broader population of multinational companies.

Results, however, showed that a number of companies changed strategies quite recently. Fifty-one percent of all respondents used their current strategy less than three years, 13% from three to five years and 36% more than five years. A trend toward more standardization was noted when recency of strategy change was examined by model. All standardized model respondents changed to their current model within the last three years. A majority or 67% of pattern standardization companies also changed to their current model within the last three years. Only 19% of localization model companies, however, changed to their current strategy within the last three years.

The trend toward standardization was further amplified when previous strategies were investigated. Sixty-two percent of all respondents said that the strategy model most used by them prior to their current strategy was localization. Now, only 41% use localization. Of those currently using standardization, 80% had used localization previously. Sixty-one percent of those currently using pattern standardization previously used localization.

Twenty-eight percent of respondents said they would be changing strategy next year and the most frequent reason given for change was a company emphasis on creating a worldwide identity and brand image. This again indicated a trend toward more standardization within the personal computer and software product categories. A director of marketing whose company was planning to change from pattern standardization to the standardization model gave this reason for the change: "We plan to place

stronger emphasis on more unified advertising campaigns so we can achieve a better global identity while we implement similar campaigns when possible and effective. There is still too much diversity of look and message." No standardization model users indicated they would change strategy, indicating satisfaction with the model. However, 33% of pattern standardization users and 30% of localization strategy respondents said they would change strategy.

The 72% of respondents who indicated they would not be changing their global advertising strategy next year most often cited the effectiveness of their current strategy as the primary reason for no change. Standardization respondents most often said they would not be changing because they wanted a consistent worldwide image. Pattern standardization respondents also indicated a desire for a stronger unified image. Satisfaction with current results was the most often mentioned reason for no change of strategy by those who use the localization strategy.

The literature said that the development of a consistent worldwide image was an important benefit of standardization. This research showed that image also was an important factor that supports the use of current strategies used by respondents. Those factors supporting the use of current global advertising strategies that were mentioned most often were a consistent worldwide image, global strategy coordination and flexibility to react to local situations.

All standardization respondents ranked worldwide image as the number one factor supporting the use of their current strategy, consistent with what the literature showed. Fifty-eight percent of the pattern standardization respondents also ranked worldwide image highest. However, 50% of

localization strategy respondents ranked flexibility to react to local situations highest, a strong reflection of the localization model's attention to local needs.

Table 1 shows how respondents ranked 10 factors that support the use of their current global advertising strategy on a scale from one to 10. Overall rank was determined by adding the top three rankings for each factor. Not all factors equal 100% due to rounding.

Table 1

Ranking of Factors That Support Current Strategy
(by percent of those who responded to each factor)

	1	2	3	4	5	6	7	8	9	10
<u>Factor</u>										
worldwide image	65%	13	4	4	0	9	0	4	0	0
global strategy coordination	10	50	15	10	0	0	0	0	0	15
flexibility to react to local situations	24	12	16	8	8	4	8	8	4	8
high quality advertising in local markets	14	9	14	27	4	9	9	4	0	9
knowledge of local culture	0	21	12	8	25	21	4	4	0	4
improves planning & control	5	0	20	10	5	0	10	25	15	10
motivated local country managers	0	0	13	9	4	13	22	9	30	0
strong creative guidance	0	5	5	10	30	15	0	15	15	5
understanding of local laws	0	0	10	0	5	10	33	10	14	19
ad materials cost savings	0	0	5	19	14	14	14	14	10	10

The importance of the factors were somewhat different from the rankings. Knowledge of local culture, flexibility to react to local situations and high quality advertising in local markets were the most important factors supporting the use of current advertising strategies. The first two are clear concerns of both localization and pattern standardization models, the two largest respondent groups. High quality advertising, however, was shown by the literature to be a key benefit of the standardization model.

Again, all standardization strategy respondents said worldwide image was the most important factor supporting the use of their current strategy. Eighty- six percent of the pattern standardization respondents agreed. The majority of localization strategy respondents or 79% felt that knowledge of local culture was most important.

Table 2 shows what degree of importance respondents placed on the 10 factors that support the use of their global advertising strategies. Importance was determined by adding the very important and fairly important categories by factor. Not all factors equal 100% due to rounding.

Table 2

Importance of Factors That Support Current Strategy
 (by percent of those who responded to each factor)

	<u>Very</u>	<u>Fairly</u>	<u>Somewhat</u>	<u>Not</u>	<u>No Opinion</u>
<u>Factor</u>					
knowledge of local culture	42%	47	8	0	3
flexibility to react to local situations	57	24	16	3	0
high quality advertising in local markets	53	28	19	0	0
worldwide image	60	17	20	3	0
motivated local country managers	31	40	23	6	0
global strategy coordination	52	26	16	3	3
strong creative guidance	23	43	26	3	6
improves planning & control	15	55	27	3	0
understanding of local laws	29	32	26	6	6
ad materials					
cost savings	31	22	33	14	0

Cultural differences were cited in the literature as the factor that would most constrain the implementation of a standardization strategy. Respondents in this research also ranked cultural differences first as the factor that would most constrain respondents from using a standardized global advertising strategy. Other important factors were marketing strategy and organizational structure also mentioned as key factors in the literature.

Only 20% of standardization respondents saw cultural differences as the number one constraining factor, but 58% of pattern standardization respondents and 50% of localization respondents ranked cultural differences the highest.

Table 3 shows how respondents ranked seven factors that constrain them from using the standardization model advertising strategy. Overall rank was determined by adding the top three rankings for each factor. Not all factors equal 100% due to rounding.

Table 3

Ranking of Factors That Constrain Use of Standardization
 (by percent of those who responded to each factor)

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>
<u>Factor</u>										
cultural differences	50%	17	8	8	8	8	0	0	0	0
marketing strategy	9	17	30	13	17	0	13	0	0	0
organizational structure	18	9	23	23	5	23	0	0	0	0
internal politics	14	29	0	24	10	5	19	0	0	0
local country economic development	5	27	5	23	23	9	9	0	0	0
local government restrictions	5	10	14	5	14	19	33	0	0	0
product attributes	0	5	18	9	23	23	23	0	0	0

Respondents also felt that cultural differences was the most important factor constraining use of a standardized advertising strategy. Marketing strategy and local country economic development were also viewed as important.

Again, just 20% of the standardized strategy respondents thought cultural differences was the most important constraining factor, while 73% of pattern standardization respondents and 75% of localization respondents said cultural differences was the most important factor, emphasizing the sensitivity those models feel toward local conditions.

Table 4 shows the degree of importance respondents placed on the seven factors that constrain them from using a standardized strategy. Importance was determined by adding the very important and fairly important categories by factor. Not all factors equal 100% due to rounding.

Table 4

Importance of Factors That Constrain Use of Standardization
 (by percent of those who responded to each factor)

	Very	Fairly	Somewhat	Not	No Opinion
<u>Factor</u>					
cultural differences	69%	8	19	3	0
marketing strategy	37	33	23	7	0
local country economic development	18	42	30	9	0
organizational structure	24	30	36	9	0
internal politics	15	35	26	24	0
product attributes	19	31	28	22	0
local government restrictions	6	31	50	13	0

Respondents were evenly split in their agreement with the statement: "A standardized strategy is the best advertising strategy for global use by high technology companies." Forty-five percent strongly agreed or agreed with the statement and 45% disagreed or strongly disagreed with the statement. Ten percent had no opinion.

A pattern standardization model company advertising manager gave these reasons for agreeing with the statement: "Quality, use of logo and identifying graphics, consistent positioning and key message strategy are all very important." A corporate advertising manager who disagreed with the statement offered this reason: "Cultural and economic differences by region and country make corporate (more generic) advertising less effective."

Those respondents in agreement with the statement generally cited global image and cost effectiveness as important reasons for a global strategy, again two very important benefits of the standardization model. Those in disagreement most often mentioned cultural and local market differences, consistent with key localization concerns.

Sixty percent of standardization strategy respondents, 50% of pattern standardization and 31% of localization respondents agreed with the statement.

Respondents generally used a combination of agencies to implement advertising strategy globally, which is reflected in the number of multiple responses. Most or 56% used local country agencies, U.S. advertising agencies are used by 50%, 25% used U.S.- based international agencies, 19% used foreign-based international agencies and 19% used in-house agencies.

Creative development and media placement were both handled by the same agency for 53% of respondents. Forty-seven percent separated creative and media. Of those who did, creative was most often produced in the U.S. and media was placed locally.

Eighty percent of standardized strategy companies used a U.S. - based advertising agency, consistent with the advertising implementation profile of the model, which called for strong, centralized development of both strategy and execution. Pattern standardization companies tended to use U.S.- based international agencies with foreign affiliates most. Sixty-one percent used that form of implementation, which supported the model profile of global advertising strategy with regional or local creative and media execution. Localization strategy companies favored local country agencies for both creative and media, with 69% using that implementation to ensure that local cultural differences were addressed, the key concern for the localization model.

Many of the companies surveyed are relatively new to global advertising. More than 50% of all respondents advertised globally for less than five years. Only 19% advertised for more than 10 years. Most companies are small global advertisers. Fifty-six percent of all respondents reported global advertising budgets under \$10 million. Only 19% had expenditures over \$20 million annually. Forty percent of respondents anticipated a global advertising budget increase in 1994, but nearly half said it would be less than 10%.

Companies who use a standardized strategy tend to be more new to global advertising. Sixty percent of standardization strategy companies advertised globally for less than five years and none advertised for more than

10 years. Standardization company ad budgets ranged from \$5 - \$15 million and none anticipated global advertising budget increases this year.

Half of all pattern standardization companies advertised globally for less than five years, but just 6% advertised for more than 10. Forty percent of pattern standardization budgets were under \$5 million and 55% said they would increase their budget this year, primarily under 10%.

Fifty-four percent of localization model companies advertised less than five years, but 19% had advertised for more than 10 years. Localization ad budgets fell mostly in the under \$ 5 million and over \$20 million categories. Thirty-one percent said they would increase their budget, with \$10 -\$15 million most often mentioned.

Respondent companies are geared to global markets. Nearly four out of 10 depend on international sales for a significant part of total revenues and are very large. Most respondents also use a decentralized organizational structure. Sixty percent of respondents had more than 20 subsidiaries or branch offices internationally. Thirty-seven percent reported that more than 50% of their total sales were derived from international markets. Thirty-seven percent had total company sales in excess of \$1 billion annually. Most companies or 74% were decentralized.

Standardization companies appeared to be new, less established organizations. Eighty percent had fewer than 20 subsidiaries or branch offices and 26 - 50% of their sales from international markets. Only 20% had sales over \$1 billion. Eighty percent were centralized.

On the other hand, 78% of pattern standardization companies had more than 20 subsidiaries or branch offices and 44% derived more than 50% of their revenues from international markets. Forty-four percent also were over \$1 billion in annual revenues. Pattern standardization companies were mostly decentralized with 78% in that category.

Fifty-six percent of localization strategy companies had more than 20 subsidiaries or branch offices. International market sales over 50% of total annual revenues was reported by 33%. One third of localization strategy companies had annual sales over \$1 billion and 87% said they were decentralized.

One third of all respondents had been in their current position for three to five years. Only 13% had held their current position for more than five years. Advertising and promotion manager was the most frequently mentioned title of respondents.

Standardization respondents showed no pattern for how long they had been in their positions. Three to five years, however, was the length of time most mentioned by both pattern standardization and localization respondents.

V. Conclusion

Discussion

The literature indicated that high technology companies were excellent candidates to reap the benefits of the standardization global advertising strategy model. Their products were generally standardized for global consumption and used in the same way in virtually every country. The product was utilitarian and the message was informational. Why were not more personal computer and software companies, the largest advertisers in the computer industry (*Advertising Age*, 1993), taking advantage of the cost savings benefits of the standardization strategy?

First, the sample size of 75 companies was small. A larger sample including all product categories within the computer industry may have produced results that would have differed more from the broader multinational study (Hite & Fraser, 1988). Other reasons, however, may be related to company size, structure and number of years as a global marketer. Only 20% of standardization companies had revenues over \$1 billion, but 44% of pattern standardization and 33% of localization companies were over \$1 billion. Eighty percent of standardization companies used a centralized organization structure, while 78% of pattern standardization and 87% of localization model companies were decentralized. Finally, no standardization company advertised more than 10 years, but 6% of pattern standardization and 19% of localization model companies advertised for more than 10 years.

This comparison may suggest that standardization model companies are younger and perhaps do not have the global organizational infrastructure of the

other two models. Because they have less developed global organizations they may have to rely more on U.S. - based marketing efforts, which allow them to centralize their activities. On the other end of the continuum, however, localization companies appear to be older with more established infrastructure. These highly decentralized companies with established local country operations may be more driven by the desires of local country management. The literature supported findings that organizational structure was an important constraining influence on the adoption of standardization. Pattern standardization companies followed the localization profile, but somewhat less so.

This research, however, showed a trend toward more standardization. This trend may be based upon new emphasis placed by the companies on creating a worldwide identity and brand image, the most frequently given reason for changing strategy. Worldwide image also received the top ranking as the factor that most supported the use of current strategy models, primarily from those using standardization and pattern standardization strategies. Companies using those models also said worldwide image had the most importance, even though knowledge of local culture was viewed as the most important overall factor supporting use of current strategies. The importance of local culture may have been influenced by the combining of very important and fairly important categories, reflecting the acknowledgment by all companies that local conditions still are important considerations.

Cultural differences was ranked as the most powerful external constraint to implementing a standardization strategy, especially by those who use pattern

standardization and localization models. Even more companies thought it was the most important factor. The strength of this factor may have offered further proof that high technology companies may not differ greatly from companies in other industries, even though their products are bought and used for the same reasons in every country - a primary criterion for standardization.

Internal constraints also played a significant role, with marketing strategy coordination listed as the second most important factor both in ranking and importance. Organizational structure and internal politics were also highly ranked factors. The importance of these internal constraints may be reflected in the high incidence of decentralized organizational structures found among companies that use localization and pattern standardization models.

There were no surprises when each model was profiled according to how they organized their advertising. Companies in this research matched the profiles for each global advertising strategy model. Eighty percent of the companies using the standardization model were centralized and used U.S. - based advertising agencies. Pattern standardization companies were primarily decentralized and tended to use U.S. - based international agencies with foreign affiliates, reflecting the centralization of strategy and basic creative work in the U.S. with creative adaptation and local media placement by the local affiliates. Companies that used localization strategies were highly decentralized and favored local country agencies for both creative and media, congruent with the localization profile.

The strategic direction of personal computer and software high technology companies appeared to be toward more standardization. The

evidence presented in the research section of this thesis indicated a trend toward standardization driven by an increased company emphasis on developing global brand identity. Further evidence offered came from responses to the statement: "A standardized strategy is the best advertising strategy for global use by high technology companies." Companies were evenly divided between those who agreed with the statement and those who disagreed. Considering that just 13% currently use the standardization model, the response may be a precursor to future high technology advertising strategy changes.

Summary

The development of an effective global advertising strategy requires a careful examination of all alternative strategic options. Levitt (1983) proposed the standardization model and argued that both strategy and execution could be implemented globally because consumer needs and interests are becoming increasingly homogeneous worldwide. Levitt's critics contend that there are too many existing external and internal constraints that make standardized campaigns unfeasible. They point to cultural differences, legal and governmental barriers, organizational resistance and other constraint factors. They do suggest, however, that high technology and other product categories where products are bought and used for the same reasons in every country may effectively use the standardization model.

The degree to which advertising may be standardized is a critical factor in the development and implementation of global advertising strategies. The benefits that result from increasing standardization affect the long-term

competitiveness of multinational organizations. The literature found that a majority of multinational firms were using the pattern standardization model. This research also confirmed pattern standardization as the global advertising strategy model of choice among high technology companies, but at a lower rate of use than the broader population of multinational companies. Importantly, this research showed that personal computer and software high technology companies were no more likely to use the standardization model than any other multinational companies, citing many of the constraints indicated by Levitt's critics. There is, however, reason to believe that more high technology companies will shift their strategies toward more standardization to increase their global competitiveness and realize the important benefits outlined by Levitt in 1983.

Directions for Future Research

This pilot study was conducted to generate grounded theory to see if the global advertising strategy model continuum held. The research proved the existence of a strategy continuum, but showed that high technology, an industry with product categories that were presumed to be candidates for global standardization, were in fact very similar to other multinationals in their placement on the continuum.

The results did not reinforce the view held by many researchers that brands and products that are used in the same way and meet the same needs from country to country enable development of a uniform global image throughout the world, although a trend toward standardization was observed.

Further research that would specifically examine the use of standardization among multinational companies from a wide range of global industrial (business-to-business) product categories is suggested. The companies selected for examination should market products globally that are sold and used in the same manner everywhere, a key criterion for use of the standardization model. A large scale survey of global companies would give researchers a much broader view of the continuum and more specific details by industry and product categories. Importantly, this research should also attempt to determine the relative effectiveness of each global advertising strategy model.

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Appendix

Questionnaire

Please take a few minutes to complete this questionnaire on global advertising strategy. To help you better understand the questions asked we have classified global advertising strategy as three major strategies and defined them as follows: 1) **Standardization**: assumes that both strategy and execution are implemented globally with language translation as the only change in content; 2) **Pattern Standardization**: assumes a global strategy with local execution; and, 3) **Localization**: assumes strategy and execution are implemented on a country-by-country basis with great attention paid to local needs.

1. Given the classification and descriptions of global advertising strategy, which one best represents the strategy you are using today? (Please refer to definitions above)

- ☐ Standardization
- ☐ Pattern Standardization
- ☐ Localization
- ☐ If other, please explain

2. How long have you been using this strategy?

- ☐ less than one year
- ☐ one to three years
- ☐ three to five years
- ☐ more than five years

3. Which strategy did you use prior to your current strategy?

- ☐ Standardization
- ☐ Pattern Standardization
- ☐ Localization
- ☐ If other, please explain

4. Do you expect any changes in your company's global advertising strategy in the next year?

- ☐ Yes (if yes, please answer question #5)
- ☐ No (if no, please answer question #6)

5. Why do you expect to change your global advertising strategy?

6. Why do you expect to continue using your current global advertising strategy?

7. We would now like you to rank those factors that you feel support the use of the global advertising strategy your company is currently using. Also, please tell us how important these factors are in your decision to use the current strategy.

Rank		Very Important	Fairly Important	Somewhat Important	Not Important	No Opinion
	provides a consistent worldwide image					
	flexibility to react to local situations					
	high-quality advertising in local markets					
	advertising materials cost savings					
	motivated local country managers					
	improves planning and control					
	knowledge of local culture					
	strong creative guidance					
	understanding of local laws					
	global strategy coordination					
	other (please explain)					

8. Now, please rank those factors that you feel would constrain your company from using a standardized global advertising strategy (global strategy and global execution). Also, please tell us how important these factors are in your decision-making process.

Rank		Very Important	Fairly Important	Somewhat Important	Not Important	No Opinion
	cultural differences					
	local government restrictions					
	organizational structure					
	internal politics					
	marketing strategy					
	product attributes					
	local country economic development					
	other (please explain)					

9. Please indicate if you agree or disagree with the following statement: "A standardized strategy is the best advertising strategy for global use by high technology companies."

Strongly Agree	Agree	Disagree	Strongly Disagree	No Opinion

10. Why do you feel this way? _____

11. Please indicate who prepares your global advertising media campaigns?
(Please check all that apply)

- ☐ U.S. advertising agency
☐ U.S.-based international advertising agency
☐ Local country advertising agency
☐ Foreign-based international advertising agency
☐ In-house advertising agency

12. Are creative development and media placement both handled by the same agency(ies)?
- ☐ Yes
- ☐ No
- ☐ If handled separately, please explain _____
-
13. How many years has your company advertised globally?
- ☐ less than one year ☐ five to ten years
- ☐ one to five years ☐ more than ten years
14. Could you please tell us the number of countries in which your company has subsidiaries or branch offices?
- ☐ less five ☐ eleven to twenty
- ☐ five to ten ☐ more than twenty
15. What percent of your company's total sales are derived from international markets?
- ☐ less than 10% ☐ 26% to 50%
- ☐ 10% to 25% ☐ more than 50%
16. What are your company's total sales?
- ☐ under \$50 million ☐ \$501 million to \$1 billion
- ☐ \$50 million to \$250 million ☐ more than \$1 billion
- ☐ \$251 million to \$500 million
17. Would you say that your company's global operations are more centralized (strong control by corporate headquarters) or decentralized (more authority given to individual countries)?
- ☐ Centralized ☐ Decentralized
18. Would you please tell us the size of your company's global advertising budget?
- ☐ under \$5 million ☐ \$16 million to \$20 million
- ☐ \$5 million to \$10 million ☐ over than \$20 million
- ☐ \$11 million to \$15 million
19. Do you anticipate a global advertising budget increase during the next year?
- ☐ Yes (if yes, please answer question #20)
- ☐ No
- ☐ Don't Know
20. How large an increase do you anticipate?
- ☐ less than 10% ☐ 21% to 25%
- ☐ 10% to 15% ☐ more than 25%
- ☐ 16% to 20%
21. How long have you held your current position?
- ☐ less than one year ☐ three to five years
- ☐ one to two years ☐ more than five years
- ☐ two to three years
22. What is your current title? _____

Thank you for your time and participation.