Perceptual Standardization Gap: Antecedents and Consequences in an Emerging Country Context

Müge Güzel
Koç University
Ayşegül Özsomer
Koç University
Burcu Sezen
Universidad de los Andes

Cite as:
Güzel Müge, Özsomer Ayşegül, Sezen Burcu (2020), Perceptual Standardization Gap: Antecedents and Consequences in an Emerging Country Context. *Proceedings of the European Marketing Academy*, 49th, (63935)

Paper from the 49th Annual EMAC Conference, Budapest, May 26-29, 2020.

Perceptual Standardization Gap: Antecedents and Consequences in an Emerging Country Context

Abstract:

This paper investigates perceptual differences between consumers and MNCs' subsidiary managers in terms of the standardization level of a global brand in the local subsidiary. Calling these differences 'the standardization gap', antecedents and consequences of this gap are analyzed in an emerging country context. Dyadic data is obtained from local subsidiary managers and consumers. Results reveal that significant perceptual gaps with regard to the product and positioning standardization levels of the brands exist. Geographical and psychic distance to the reference country and advertising standardization impact the perceptions of consumers about how standardized a brand is. Credibility and quality of the brand determine the extent of perceptual gaps, and a negative relationship between the standardization gap and brand equity is shown. The results have critical implications for the management of global brands in emerging countries as well as the perceptual inaccuracy literature.

Keywords: perception, inaccuracy, standardization

Track: International Marketing & Marketing in Emerging Countries

1. Perceptual Inaccuracies and Global Marketing

1.1 Perceptual inaccuracies in marketing

Perceptual inaccuracy (PI) is defined as the discrepancy between a judge's evaluation of an attribute of a target and the actual value of that attribute usually as reported by the target person (Blackman & Funder, 1998). Perceptual inaccuracies (PIs) are primarily investigated in social psychology as well as behavioral decision, organizational behavior and marketing literatures. Marketing literature's interest in PIs is recent. Some of the constructs examined from the perspective of PI include salesperson cooperation (Lussier & Hall, 2017), customer satisfaction (Hult et al., 2017), customer price importance (Alavi, Wieseke and Guba 2016), opportunism (Wang, Kayande, and Jap, 2010), commitment (Homburg, Bornemann and Kretzer, 2014) and customer relationship quality (Mullins et al., 2014).

Despite the fact that PIs are pervasive, there are still limited number of studies examining PIs in the marketing domain. These studies manifest that PIs in marketing exist and are important for the functioning of the relationships and business outcomes. Salespeople inaccurately perceiving their customers' price importance give higher discounts than necessary (Alavi, Wieseke, and Guba, 2016) or their sales performance is reduced if they inaccurately perceive customer commitment (Homburg, Bornemann, and Kretzer, 2014). Business partners perceiving the counterpart as more committed than it actually is results in reduced conflict and higher expected profits (Vosgerau, Anderson, and Ross, 2008). Inaccurate perception of the other party's opportunism level reduces continuity intentions in a business relationship (Wang, Kayande, and Jap, 2010).

1.2 Perceptual inaccuracies in global marketing and marketing mix standardization

Perceptual gaps are also demonstrated in international management area where HQ-subsidiary relationships are considered. Limited research examining perceptual gaps in the MNC context focus on gaps between HQs and subsidiaries. Birkinshaw et al. (2000) show that the strategic role of a subsidiary is perceived differently by HQs and subsidiary managers. They demonstrate that when subsidiaries overestimate their strategic role in the MNC, HQs exert greater control over the subsidiary which in turn worsens cooperation. Authors speculate that different experiences and worldviews, imperfect flow of information and decreasing subsidiary dependence on HQ might be some underlying reasons behind perceptual gaps.

Asakawa (2001) shows that perceptual gaps regarding the extent of information sharing and degree of autonomy exist in HQ- subsidiary relationships in Japanese MNCs and their overseas R&D laboratories. While Birkinshaw et al.'s (2000) study demonstrated these perceptual gaps in Swedish MNCs which are more individualistic in nature, it is important to note that Japanese MNCs are no exception. More studies are needed to understand whether and to what extent culture matters in understanding PIs in the international domain. Furthermore, perceptual gaps regarding a multinational brand's marketing standardization level might have important implications in marketing, making it the main focus of this paper.

In a highly competitive global marketplace, understanding to what extent MNC subsidiaries should standardize their marketing strategies and practices have been an important issue for marketers (e.g., Özsomer & Simonin, 2004). Even though MNCs have a tendency to favor globally standardized marketing strategies because of efficiency and effectiveness concerns, local idiosyncrasies require more tailored programs for the specific needs and characteristics of the subsidiary market (Samiee & Roth, 1992; Grewal, Chandrashekaran, and Dwyer, 2008). The level of marketing standardization varies from subsidiary to subsidiary. While some MNC subsidiaries are characterized by standardized marketing mixes that are very similar to the reference country(ies) from which the subsidiary is managed from, others implement less standardized strategies that focus more specifically on the local market and its needs.

As the global strategy generally determined by the HQ or regional offices of the MNCs is executed by local subsidiary managers, their subjective assessment of the subsidiary's performance is important. However, this issue has been mostly ignored in studies. (Grewal, Chandrashekaran, and Dwyer, 2008). In a similar vein, MNC subsidiary managers' subjective assessments of marketing mix standardization (MMS) is necessary. However, their perceptions of MMS may differ from that of the HQ's. More importantly, consumers' view of the extent to which a global brand is standardized is also valuable and might potentially differ from managers' view. For example, a consumer might think that a global brand X, sold in her country is different from the very same brand X sold in the country with which the brand is associated (reference country) on many attributes, such as packaging, ingredients, price, and so forth. However, a local subsidiary manager's view about how this brand X is standardized in a local market could be different. They may assess that the price, packaging and ingredients are standardized and very similar to rest of the world.

This perceptual difference is especially relevant for emerging countries, where consumers are doubtful about both the characteristics of the product and positioning of the global brand in their own country. In initial interviews a consumer in Turkey provided the following evaluation: '*The way they position GAP in our country makes me crazy. Even if I like the style and quality of the products, I never purchase GAP. While it is a very affordable brand in the US, they charge very high prices here. I don't want to buy anything...'.* Consumers of Coca-Cola in Turkey post the following on blogs: *'Coca-Cola in US is much healthier than Coca-Cola in Turkey', 'They are (consumers in US) drinking the real coke, we are drinking something else'.* While some of these comments are valid, and there are real differences in marketing mixes, some of the perceptions regarding MMS are quite distorted and wrong. Yet, these perceptions affect consumer's attitudes and purchase behavior.

2. Conceptual Framework and Hypotheses

Thus, there might be differences between subsidiary manager and consumer perceptions about the degree of MMS of a global brand. In this paper, we will try to answer the following questions: *For which marketing mix elements do we observe an MMS gap?* To answer this question, we examine MMS gaps for product, advertising and positioning standardization for a number of global brands sold in an emerging country where consumers usually have suspicions about the standardization level of these brands in their own country. We expect that there is a significant perceptual gap for the product and positioning standardization levels of the brands, where majority of consumers underestimate the standardization levels (H1). However, we do not expect a significant gap for advertising standardization levels as advertisements are more concrete and can be accurately assessed by customers in terms of standardization.

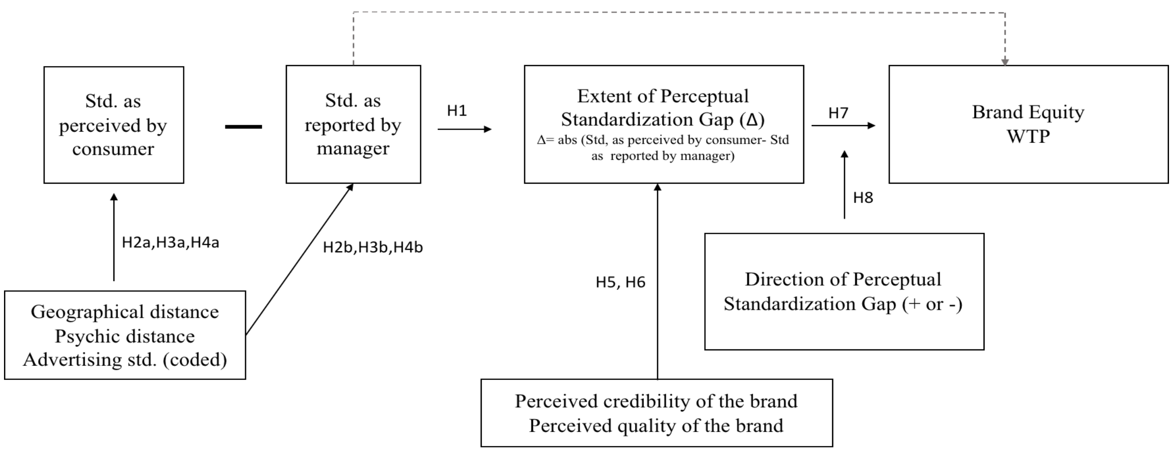


Figure 1. Antecedents and Consequences of Perceptual Standardization Gap

What determines product and positioning standardization perceptions of consumers? While consumers are not expected to be entirely knowledgeable about the marketing mix standardization of a brand, they have an idea of it based on their perceptions. Geographical and psychic distance (Grewal, Chandrashekaran, and Dwyer, 2008) to the reference country, advertising standardization level of the brand are factors that could shape the perceptions of the customers about how standardized a brand is (H2a-H3a-H4a). Proximity and advertisements behave as heuristics that consumers make use of when they evaluate a brand's standardization level, however these heuristics might lead to biases in standardization perceptions (Tversky & Kahneman, 1974). However, the same factors may not necessarily be associated with MMS decisions and perceptions of managers, (H2b-H3b-H4b) because managers have frequent interactions with HQ and reference country management and are able to assess MMS more correctly, which would eventually create a gap.

What determines size of perceptual standardization gaps (absolute value of the difference between consumer and manager perceptions)? We also examine some brand related factors such as perceived credibility and quality that could have an impact on the size of perceptual gaps. Such factors could especially matter for product standardization gaps as consumers in emerging countries are suspicious about the similarity of product sold to them and credibility might reduce these suspicions, leading to a smaller gap (H5). However, as the reasoning behind lack of standardization is more about the quality of the product, for brands that are perceived as very-high quality, perceptual gaps could be even larger, as many consumers in emerging countries assume that they are using inferior products compared to the rest of the world (H6).

What are the possible consequences of perceptual standardization gaps? Literature on PI illustrate that inaccuracies in relationships distort the parties' expectations and lead to suboptimal outcomes. Wang, Kayande and Jap (2010) show that PIs, lead to incorrectly formed expectations and eventually harm the relationship, by increasing uncertainty. They argue that such inaccuracies inhibit the counterpart's ability to forecast other's actions and reactions which lead to suboptimal outcomes. Assimilation-contrast theory assumes that the severity of the outcomes related with gaps (between expectations and behaviors) depends on the size of the gap (Mullins et al., 2014; Anderson, 1973). With the same reasoning we can expect that if the standardization as perceived by consumers is different from that of managers, this PI might eventually have a negative impact on brand equity. This effect can be observed due to the unsatisfied expectations of the consumer which are based on the perceived marketing standardization of the company and not in line with the company's own perception of itself. If negative, this mismatch between what managers do, or think they do in terms of MMS and what consumers perceive them to do (in terms of MMS), may eventually lead to ineffective communication, positioning and ineffective brand management. The global companies cannot take any action to solve the problem as they hardly ask their customers how standardized they think the brand/product is. The consumer that does not like GAP because it is positioned differently says, she won't buy it. Similarly, we expect a negative relationship between (the extent of) perceptual standardization gap and brand equity as reported by customer and willingness-to-pay (H7). However, direction of inaccuracy could moderate this relationship (H8). If the consumers' perception of standardization is higher than the managers' assessments, this may lead to a positive effect.

3. Data and Methods

151 surveys from brand/ marketing managers of subsidiaries of European, North American and Asian MNCs operating in Turkey was obtained for 100 unique brands. Consumer data consists of 634 students from two private universities in Turkey. Furthermore, two independent coders were trained to code TV ads on several aspects. For each brand, the local ads were examined and compared to the reference country's ads to determine their degree of standardization. Timing of the TV ads were matched to consumer survey administration. So, we could obtain standardization perceptions of consumers, standardization levels reported by managers and objective advertising standardization data coded by researchers.

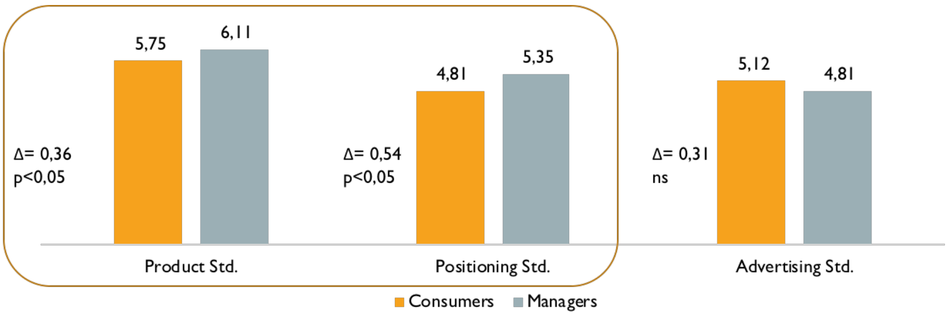
MMS is measured using the nine items that capture product, positioning and advertising standardization (Özsomer & Simonin, 2004; Szymanski, Bharadwaj, and Varadarajan, 1993). We do not include distribution standardization items as consumers will probably not have much idea about the distribution strategy of the brands and they can hardly guess it. For objective level of advertising standardization, that is coded, Mueller's (1989) scale is used, which take into account how similar or dissimilar is the local brand's ad to the reference country's ad in terms of product name, version, packaging, theme, dialogue, slogan, music, attributes, spokesperson, visuals/scenes, and brand personality.

Brand equity is measured based on Yoo, Donthu and Lee's (2000) scale with three items. For WTP, consumers are simply asked what percent more they are willing to pay for Brand A than its closest competitor. For geographical proximity, the distance between two capital cities are used. For psychic distance, cultural distance between two companies is calculated, using Hofstede's dimensions as a proxy.

Extent of PI is calculated as the absolute value of the difference between standardization level as reported by the managers, and the standardization level as perceived by the consumers. For each brand, there are at least 4 consumer responses that make up the consumer perceptions. Direction of perceptual PI is a categorical variable, based on whether consumers overestimate or underestimate standardization levels.

4. Preliminary Analysis and Results

Several regression analyses were performed to test our hypotheses. Our first descriptive analysis reveals that consumers have substantive misperceptions about the standardization levels of the global brands sold in their own country. As we expect, they perceive both the product and positioning as less standardized, compared to what managers report. However, there is not a significant difference in terms of standardization level of advertising. As illustrated by Figure 2, largest perceptual gaps exist for positioning standardization. Our initial results support H1.



coding: 1=very different and 7= very similar, higher values mean greater standardization.

Figure 2. Perceptual Standardization Gap

We find that actual advertising standardization level of the brand (as coded from the TV advertisements) has a positive and significant impact on the positioning standardization perceptions of the consumers ($\beta = .27$, $p<.05$), controlling for product category effects. Interestingly, it does not have a significant impact on their product standardization perceptions. This is in line with the literature on consumer ad skepticism (Obermiller & Spengenberg, 1998; Kirmani and Zhu 2007). While psychic and geographical distance do not have a significant impact on positioning standardization perceptions of consumers, they influence product standardization perceptions. Consumers perceive the products as less standardized when the reference country is culturally distant ($\beta = -.19$, $p<.05$) and more standardized when the reference country is geographically distant ($\beta = .22$, $p<.05$). It seems consumers see physical distance as a barrier for product adaptation, while cultural distance as a reinforcer. This result seems in line with the social identity theory (Tajfel & Turner, 1979) as living in an emerging country could strengthen the us vs. them categorization in consumers' mind and this would be more salient if the reference countries are culturally more distant. We also check whether these factors influence standardization levels as reported by managers, but none of the coefficients are significant. This illustrates that the factors which shape consumers' standardization perceptions are not the ones that guide managers' standardization decisions, which ultimately creates a gap.

Consistent with our hypotheses, we also find that perceptual standardization gaps are smaller for credible brands ($\beta = -.22$, $p<.05$) but larger for high-quality brands ($\beta = .20$, $p<.05$).This strengthens the idea that consumers in emerging countries think that they do not have the access to high-quality products that are sold in developed countries. Even if the same brands exist in their own country, they have the tendency to believe that MNCs sell inferior products in emerging countries. However, this bias is observed less when the brand is perceived as more credible.

Our results reveal that positioning standardization (as reported by managers) has a positive ($\beta = .34$, $p<.05$) and product standardization (as reported by managers) has a negative impact ($\beta = -.18$, $p<.05$) on brand equity. We find that the extent of perceptual positioning standardization gap has a negative impact on brand equity ($\beta =- .22$, $p<.05$) regardless of the direction of inaccuracy (See Table 1 for more detail). We also checked the impact of product standardization gap on brand equity, but it was not significant. This could be because there are different views about product standardization. As illustrated by the regression analysis, product standardization is negatively related to brand equity. The consumers want adapted products, while they still seek standard positioning. So, when consumers see a product as less standardized, this can be pleasing because they want their product to be adapted. On the other hand, this may be a result of the belief that they are using inferior products, which would then generate a negative impact. However, the consumers seem clearer regarding the positioning. Standardized positioning increases brand equity and if there is a discrepancy between what managers report and what consumers perceive, this discrepancy has a negative impact on brand equity. We find similar results when our dependent variable is consumers' willingness to pay. In all regressions, we control for category effects and the number of years the global brand has been operating in Turkey. We do not find support for our hypothesis regarding the moderation effect of direction. So regardless of direction, any inaccuracy in perception of positioning standardization level of the brand has detrimental results.

DV: Brand Equity	Unstandardized Coefficients		Standardized Coefficients	Sig.
	B	Std. Error	Beta	
Constant	5,24	0,42		0,00
positioning std. (M)	0,34	0,13	0,42	0,01
product std. (M)	(0,18)	0,08	(0,19)	0,04
abs(posstdgap)	(0,22)	0,11	(0,20)	0,04
direction of pos std gap	(0,02)	0,31	(0,02)	0,95
direction-extent interaction	(0,09)	0,18	(0,12)	0,63
Controls:				
category	(0,06)	0,03	(0,19)	0,04
duration in Turkey	(0,00)	0,00	(0,03)	0,72

R^2 = 0.21 N=113 (M): manager perceptions

Table 1. The Impact of Positioning Standardization Gap on Brand Equity

We run a similar analysis where consumers' standardization perceptions are used as independent variables (in addition to perceptual gap). Our results again show that positioning standardization (as perceived by consumers) has a positive impact on brand equity (β = .45, p<.05). However, when this is not aligned with what managers report, this perceptual gap negatively influences brand equity (β = .21, p<.05).

5. Conclusions

This paper investigates PIs in an international marketing context, where consumers' perceptions of standardization could especially matter for emerging countries such as Turkey. It examines the consequences of perceptual standardization gap over and above the actual standardization levels. These consequences highlight the importance of understanding how standardized consumers perceive the brands. We empirically show that consumers' opinion about the standardization level of the global brands is different from what managers report. We also illustrate that not only their (consumers') perceptions matters, but also how they are different from managers' is also important as this perceptual gap has a negative impact on brand equity and willingness to pay. We also identify antecedents that could bias consumers' perceptions, which may help subsidiary managers to understand how these misperceptions can be dealt with. For example, in our study we observed that standardized advertising did not necessarily influence the product standardization perceptions of consumers but had an important impact on their positioning perceptions. Also, the managers should consider their country's distance to the reference country to figure out what their consumers think about the standardization levels of the brands they are selling.

Key References.

Alavi, S., Wieseke, J., & Guba, J. H. (2016). Saving on discounts through accurate sensing–salespeople's estimations of customer price importance and their effects on negotiation success. *Journal of Retailing*, *92*(1), 40-55.

Grewal, R., Chandrashekaran, M., & Dwyer, F. R. (2008). Navigating local environments with global strategies: A contingency model of multinational subsidiary performance. *Marketing Science*, *27*(5), 886-902..

Homburg, C., Bornemann, T., & Kretzer, M. (2014). Delusive perception—antecedents and consequences of salespeople's misperception of customer commitment. *Journal of the Academy of Marketing Science*, *42*(2), 137-153.

Hult, G. T. M., Morgeson, F. V., Morgan, N. A., Mithas, S., & Fornell, C. (2017). Do managers know what their customers think and why?. *Journal of the Academy of Marketing Science*, *45*(1), 37-54.

Mueller, B. (1990). Degrees of globalization: an analysis of the standardization of message elements in multinational advertising. *Current issues and Research in Advertising*, *12*(1-2), 119-133.

Mullins, R. R., Ahearne, M., Lam, S. K., Hall, Z. R., & Boichuk, J. P. (2014). Know your customer: How salesperson perceptions of customer relationship quality form and influence account profitability. *Journal of Marketing*, *78*(6), 38-58.

Özsomer, A., & Simonin, B. L. (2004). Marketing program standardization: A cross-country exploration. *International Journal of Research in Marketing*, 21(4), 397-419.

Samiee, S., & Roth, K. (1992). The influence of global marketing standardization on performance. *Journal of marketing*, 56(2), 1-17.

Szymanski, D. M., Bharadwaj, S. G., & Varadarajan, P. R. (1993). Standardization versus adaptation of international marketing strategy: an empirical investigation. *Journal of marketing*, 57(4), 1-17.