International service marketing strategies
-Standardization versus adaptation in Eastern Europe

Abstract

Purpose This study aims to describe international marketing strategies of a service firm in Lithuania, focusing on standardization and adaptation. To go into the depth of the study, areas of standardization versus adaptation have been identified and four contents, have been examined.

Research design and methodology Considering the complexity of standardization/adaptation dilemma in developing international service marketing strategy, a case study on a Swedish firm is conducted. Semi-structured interviews and a set of open ended questions have been used for data collection. Analysis of the data is carried out focusing on standardization/adaption in the internationalization process and where they should occur.

Findings By analyzing the contents internal factors, external factors and standardization/adaptation contents, it has been possible to find where marketing adaptations are needed and where standardization are favored. With help of a conceptual model we have been able to illustrate where in the process of marketing adaptations needs to be done. In case of cultural differences, it is found that the marketing strategy has largely been adapted to local conditions, but at the same time there has been a clear objective to keep the technology and the foreign firm’s knowledge and practices attached to it intact.

Originality This paper makes a unique contribution building on the process of adaptation/standardization of international services marketing in a culturally distant country. Introduction of the four contents concept offers a new theoretical insight in seeing how service firms can develop their international marketing strategies through addressing adaptation/standardization issue.

Keywords Services marketing, marketing mix content, brand content, service concept content, marketing strategy, cultural differences.

Classification: Case study
Introduction

For over 40 years academicians and practitioners have debated on standardization versus adaptation of international marketing strategy (Ryans Jr et al. 2003). This debate is also equally important today as researchers deal with these issues intensively in both empirical- and conceptual studies (Erdogmus et al. 2010). Despite the intense research and managerial interest in the topic, recent articles indicate that the topic of strategy adaptation/standardization remains clouded and unresolved among international business academies and practitioners (Lages et al. 2008). This article sheds light on the issue of standardization/adaptation, and departs from an earlier research by Hyder and Fregidou-Malama, (2009) who addressed the importance of taking culture, trust and networking into account when exporting a service into a culturally distant country. In their study, Hyder and Fregidou-Malama also distinguished the management of adaptation and standardization of services as a vital managerial function in the international marketing but they did not deal these issues in detail. By introducing a model of standardization/adaptation contents, we explore where to standardize or to adapt when taking a service to a host with cultural distances from the exporting country. The current work thus makes two contributions: one relating to the development of a theoretical framework based on adaptation and standardization of services and the other applying these issues in an in-depth research to understand international marketing strategy of a service firm. Surprisingly, most empirical research on standardization/adaptation used a quantitative approach (Lages et al. 2008; Chung, 2010; Erdogmus et al. 2010) and therefore this qualitative study is both relevant and well-timed.

During 1980s, the debate evolved from an “us versus them” grouping to a more complex approach (Singh et al. 2005). Many researchers however have been critical to the extreme views as they consider neither of the views be absolutely correct and feasible. When operating in international arenas, the question has never been a dichotomous one of whether to adapt, or not to adapt, but rather an issue of how much to adapt (Dow, 2006). It has been argued that a certain mix of these issues depending on the nature of the offer is a right measure to deal with the problem. A contingency approach has emerged in this regard which posits that marketers should do whatever is appropriate for each market, and that is typically a combination of both standardized and adapted elements (Singh et al. 2005). How these issues to be combined remains however as an open question and to be dealt with in future research studies. Ryans Jr et al (2003) argue that the issue of conceptual domain remains in conflict, and the underlying tenet of the relationship between the two constructs (standardization and adaptation) remains similarly unclear.

In the early studies, research on standardization concentrated around advertising in foreign markets (Elinder, 1961). During growing internationalization of the business, practitioners were found to be widely split over the international advertizing standardization issue (Ryans Jr et al. 2003). Hyder and Fregidou-Malama (2009) argue that internationalization of services is complex as the offerings which usually involve human being are perceived heterogeneous. Further, intangibility characteristic of the services confuse buyers as it rarely gives sufficient clues to understanding properly what is really offered and bought, particularly on the international market. After the initiation of internet and recent technological advancement, both importance and complexity in selling services internationally has increased. For example, in Sweden the service sector accounts for 40% of
the export and the rate of growth has been 30% during 2000-2007 (WTO 2008). Despite its importance in domestic and world markets, empirical research addressing the internalization of services remains limited (Grönroos, 1999; Javalgi et al. 2003). In this paper, we address the issue of standardization/adaptation for international marketing of services as a part of a firm’s global marketing strategy.

Currently, emergence and growth of Eastern European markets have made the researchers interested focusing on standardization/adaptation for multinational firms entering the market (Manrai et al. 2001; White & Absher, 2007). This region is special due to its long history of communism and isolation from the Western world, and the remarkable economical and political changes it has gone through in the recent years. Lithuania is one of the East European countries which has become a member of the European Union with other Baltic states and has shown a good economic progress until the global crisis in 2008 (Hyder & Abraha, 2008). The country is according to EU 10 regular report expected to show the strongest recovery after the economical crisis in the whole Europe (Gosso, 2010). Due to historical relationship, Scandinavian countries made a huge investment in the Baltic region mainly in the service sector. This study focuses on a Swedish telephone company’s marketing strategy and its establishment in Lithuania. Although Lithuania has a lot difference in culture and mental development with Sweden, the Lithuanians, particularly the younger generation, has shown a greater inclination towards western values and technology (Hyder and Abraha, 2003). From this perspective, it would be exciting to see how the Swedish company designs its marketing strategy and deals with standardization/adaptation in the Lithuanian market.

In the line of Sorenson and Wiechman (1975), and Papavassiliou and Stathakopoulos (1997), we argue that an international marketing strategy based on pure standardization or adaptation will not work, particularly when the host and home country are different, as in our case. The research conducted by Hyder and Fregidou-Malama (2009) on internationalization of medical services to Egypt showed that adaptation was not only an option but a necessity to get established in the market. But they also found that all characteristics of the service could not be adapted or would be wise to do so. Bussel (1968) argues that significant cost savings, consistency with customers, improved planning and distribution can be maintained if standardization is implemented. “Quality attached to standardization” has often been mentioned in the literature (Erdogmus et al. 2010). A long list of items related to standardization/adaptation is therefore necessary to develop an appropriate strategy for international services marketing. And every such important item has to be dealt with separately by considering the characteristics of the home country. It is not therefore enough just to recognize that standardization/adaptation exists but we need to explore why they exist and how they can be implemented so that an effective marketing strategy can be developed. This study goes into the depth of this problem by investigating the marketing strategy, particularly the issue of standardization/adaptation of Tele2, a Swedish telecom company while operating in Lithuania. In concrete, following questions are addressed:

(a) What comprises contents of standardization/adaptation that are applied in marketing strategy of the Swedish company in Lithuania?
(b) What role does standardization/adaptation play in marketing services in Lithuania?
Literature review

International services are defined as deeds, performances and efforts conducted across cultural borders in critical contact with foreign cultures (Clark et al. 1996). This definition suggests that international services have unique characteristics compared to domestic services; the differences compared with domestic services are that they include the cross border activities and have the interaction with foreign culture (Wong, 2009). Services on an international market can be difficult as expectations are hard to predict from one culture to another. Many services companies nowadays earn more than half of their profit outside their home market (Yalcinkaya, 2008). Little research attention has been given to the performance of the service firms in the international context (Styles and Patterson, 2005) and services marketing models with international approach considers new research opportunities (Nijssen and van Herk, 2009).

In an international context, environmental factors have a substantial influence on the strategy and success of MNC subsidiaries operating in foreign markets (Carpano et al 1994). While considering marketing strategy for East Europe, Schuh (2007) compared some key characteristics of East European markets with Western European market situation. They identified huge difference in purchasing power, speed of product development, buying behavior, competition situation and trade structure between the two regions. In international marketing it is not easy to identify who the customers are, what their needs are and what characteristic they have. Luo and Park (2001) found understanding of the local market critical to the success of MNC subsidiaries in China and newly emerging markets.

One of the external factors that is critical in the international business, particularly in East Europe, is the role of culture, and cultural differences with the foreign companies (Hyder and Abraha, 2003). Different Cross cultural studies have also shown that cultural differences demand variation of strategies and therefore no universal management can function over the national borders (Hofstede et al. 2010). This is also equally true in case of marketing as needs and tastes differ among the international customers (Ang & Massingham 2007). In selling services, two things are important: the offering itself and the delivery of the offering. We argue that the latter issue is more significant when there is a big cultural gap between the host and foreign country. Newman and Nollen (1996) find that business performs better when management practices are matched with national culture. Hyder and Fregisdou-Malama (2009) argue that cultural differences pose difficulties for firms to implement their concepts straight in the international markets - they have to consider what are purely applicable and what things are to be adapted to match the needs of local customers.

In international business both internal and external factors matter (Czinkota and Ronkainen, 2002). It is important for service firms to be well equipped in terms of competitiveness particularly relating to pricing, distribution networks and customer contacts. A growing challenge for international service firms is the development of trusting relationships with customers, especially for those firms that directly involve customer contact (Javalgi et al. 2002). Technology is important in evaluating a company’s behavior and performance as a basis of strategy development (Ford and Saren, 2002). It is the skills and the competence which a firm utilizes to initiate and develop its offerings and also to deliver it to the potential customers. Ford (2002) has divided technology into three categories: (1) product technology-ability to design products and services, (2) process technologies – ability to manufacture the
products and services and (3) marketing technologies – ability to market and deliver products and services to the customers.

The decision to adapt or standardize depends largely on the circumstances that a firm is confronted by within a particular foreign market at a specific period of time (Theodosiou and Leonidou, 2003). We argue that the greater the cultural difference, the greater is the need for adaptation. By using the both extremes it is possible to effectively meet the needs of local consumers while still having some level of global standardization (Singh et al 2005). International marketing strategy research focuses on the issue of international standardization versus local adaptation.

Jain (1989) argues that standardization should be based among others on economic payoff, which includes financial performance and competitive advantage. Another argument for standardized advertising strategies is that a consistent image and identity through the world can be maintained, which minimizes confusion among consumers who travel frequently, and it allows co-ordinated advertising campaigns across different borders which results in savings in media costs (Papavassiliou and Stathakopoulus. 1997). The international growth of communication channels is also seen as an argument for standardization (Theodosiou & Leonodou 2003). Consistency with customers and a greater control across national borders and synergies from standardization are arguments that talks for the argument of standardization (Zou et al 1996). Brand loyalty is therefore one thing to take into account when deciding to adapt or standardize (Yavas et.al 1992). In general, international firms try to stick to their main brands so that customers can easily identify them and thus a trust on the service provider can be built. When brand equity is high, customers are often more prepared to pay a price premium for the product and are more likely to engage in favorable word-of-mouth communications regarding the firm and its brands (Bendixen et al. 2004; Beverland et al. 2007).

The most common arguments in the adaptation debate are that the customers are heterogeneous and don’t have the same needs and wants over borders. Standardization is therefore seen as an over simplification of the reality (Boddevyn, Soehl et al 1986; Wind 1986; Douglas and Wind 1987). Another argument against a standardized marketing strategy is that it does not provide value to the market and therefore adaptations are better in order to add value. Empirical support exists that the link between adaptation and performance exists (Ryans et al 2003). Branding is one parameter that has shown to be significant, and the research indicates that brand adaptation is important for services companies when going international and cultural considerations seems to be the main reason for brand adaptations (Wong, 2009).

Lages et al. (2008) state that a marketing program for international market is related to the adaptation of marketing mix such as product, promotion, price and distribution. Product adaptation is linked to positioning, design, quality, packaging, labeling etc. while price adaptation is concerned with variation in charging prices and offering discounts, sales and credits to the customers. Concerning promotion and distribution enjoys the marketing manager most flexibility to match with the requirements of the local market.
Reliable research about the homogenization of markets and marketing is hard to find (Boddewyn, 1986). It is therefore important to understand the needs of adaptation, and also to identify where the adaptations should occur. Zhiyi and Massingham (2007) suggests that a service should be standardized in the beginning of the process as it is less costly and involves less costs and later on adapted whenever the company see the advantage of it. Customers sometimes demand specific adaptations and information exchange in order to suit local requirements in foreign markets (Edvardsson, 1988). Edvardsson et al (1993) state that services companies often can keep their global concept intact, but adapt when it comes to organization and marketing. Hyder and Freigidou-Malama (2009) suggests that a good balance between standardization and adaptation is necessary in marketing services internationally. Trying to compare costs and benefits of adaptations helps companies in the decision to make adaptations or not. (Smith and Tyler, 2007).

To summarize, external and internal factors are the starting point of an international marketing strategy. These factors affect how the strategy will be built between the two extremes, i.e. standardization versus adaptation. In the next section, theoretical framework of this paper will be presented comprising the areas of standardization/adaptation in relation to the internal and external antecedents.

**Theoretical framework**

Ryans Jr et al. (2003) argue that the field of international marketing strategy research in relation to standardization/adaptation lacks a strong theoretical foundation. Referring earlier studies, Lages et al. (2008) claim that several internal and external forces influence the degree of standardization/adaptation. Keeping these issues in mind, a theoretical framework based on external and internal antecedents to standardization/adaptation linking international marketing strategy, has been developed (Figure 1). We argue that standardization/adaptation studies largely suffer from fragmentation, a systematic approach is therefore suggested here to overcome this shortcoming. A number of major areas of standardization/adaptation, here called contents, have been identified thorough a review of the existing literature. General marketing mix variables (product, price, promotion and place) have been separated from service variables to highlight the difference between the internationalization of services and goods (Javalgi et al. 2003). Wong and Merrilees (2009) argue that changing a product brand might entail changing the 4Ps while changing a service brand might entail changing the 7Ps, the latter being a more complex brand design. In fact, original marketing mix variables have been launched mainly for goods, and then for services but additional service variables, i.e., physical evidence, process and people are introduced to exclusively prop up the service offerings (Zeithaml el al. 2006). Further “Product” is renamed as “service concept” considering the multinational firm’s huge investment, prestige and competitive appeal, it attaches to the development of the concept within the service industry.
External factors

In internationalization of services external factors put both challenges and opportunities for multinational firms in developing their marketing strategy. The often named factor is culture which tells who the local customers are, how they behave and consume, how they prefer to be served and particularly, what attitude they have to multinational firms. Several researchers such as Chung (2010) Hyder and Fregidou-Malama (2009); De Bürca et al. (2004) and Samiee (1999) recognized the role of culture in marketing services internationally. Wong & Merrilees (2009) particularly examined cultural impact on brand adaptation and found that cultural consideration is more essential for services than products in the adaptation process.

Market characteristics refer to those factors that determine the level of sophistication and development of particular foreign market, including its marketing infrastructure, advertising media availability, distribution structure, and market size (Theodosiou and Leonidou, 2003). These characteristics can help in deciding the degree of standardization/adaptation to be incorporated in the marketing strategy. Hyder and Abraha (2008) argues that East European markets, although goes through a major transformation, pose challenges to Western firms due to political, social, cultural and economical reasons. Yalcinkaya (2008) find that companies repeatedly overlook that consumers in different countries have different purchasing behaviors, and that adjustments are required for products and business systems to make them work in multiple countries.

Competition is another vital antecedent to the standardization/adaptation which a company thoroughly considers before entering in the international market arena. Competition intensity is significantly and positively associated with both product (service) and promotion adaptation, suggesting that competitive pressures may necessitate strategy customization to the specific requirements of the foreign market to gain an advantage over rivals (Cavusgil et al., 1993; Theodosiou & Leonidou, 2003).

Internal factors

Company strategy deals with a company’s overall policy relating to areas of investment, R&D, internationalization, form of entry, marketing, etc. Choice of country, selection of marketing channel and market segmentation fall within the strategy and are also vital to succeed in international business. Identification of customers and competitors are primary considerations for a company and therefore to be planned carefully. Technology is defined by Ford et al. (2003) as the ability based on scientific knowledge that can be used for commercial purposes. It does only mean the capacity to innovate but it is also about how the innovation can be successfully packaged, presented and delivered to the customers. In services marketing, technology plays a significant role in offering customer friendly services
through internet, information technology and time shortening planning. **Competitive strength** is the foreign firm’s ability to develop and market goods and services with a good quality and at a competitive price. A firm may be competitive in the domestic market but it is not easy to maintain the competitiveness in the international field as there are both local and internationally reputed firms are active in such markets. The situation is further sensitive when services are internationally marketed and there is a large difference between the host and the foreign country.

**Standardization/ adaptation contents**

**Service concept** is the result of a company’s success story built on its unique experience, technological knowledge and competence in marketing and delivering the offering to the customers. Unlike product, a service offering is intangible and heterogeneous (Zeithaml et al. 2006) and therefore is usually a symbol of a company’s competitive advantage. It is expected that the multinational company will take care of their strength and will be willing to see that their offer even does a good job in the new market. Hyder and Fregidou-Malama (2009) found in their study of internationalization of services that the foreign firm tried to uphold the basic characteristics of their offerings while showed flexibility for adaption in other areas. They claimed that if managers cannot stick to the basic ingredients of the service concept, the selling appeal may be lost.

The American Marketing Association (AMA) defined the brand in 1960s as “a name, term, sign, symbol, or design, or a combination of them which is intended to identify the goods or services of one seller or a group of sellers and to differentiate them from those of competitors” (Heding et al. 2009). Several researchers such as Erdogmus et al. (2010); Wong and Merrilees (2009); Medina and Duffy (1998); Roth (1995) dealt with branding in developing international marketing strategy of multinational firms, particularly in relation to standardization/adaptation. Erdogmus et al. (2010) largely found in their study that brand was kept standardized across markets while Wong and Merrilees (2009) who compared service versus product brands, found that service firms were more likely to adapt their brand to suit new international market compared to product-based firms.

Price adaptation, one of the **marketing mix contents**, refers to the degree to which the pricing strategies (retail price, wholesale/trade price, profit margins to trade customers, profit margins to end-users, discounts, sales/credit terms) for a product (service) differ across national boundaries (Lages et al. 2008). Depending on the income of the local people, price is charged so that the local consumers can afford to buy the services. In their review work, Theodosiou and Leonidou (2003) found that price-related elements were much more adapted as a result of differences in marketing objectives, cost structures, inflation rates, competitive prices and government controls. Another component is promotion which for example includes advertising, media, sales promotion, public relations, sales discounts, personal selling need to be adjusted as a part of the international marketing strategy. For distribution, adaptation may be essential in terms of distribution channels, physical distribution, purchasing habits, distribution infrastructure and role of middlemen. Theodosiou and Leonidou (ibid.) found that adjustments related to role of middlemen differed between and home and foreign country due to variations of bargaining power, financial strength and marketing know-how.
The three *services marketing mix* can be seen in the light of how much a company globalizes their marketing mix (Ryans et al 2003). Physical evidence means the environment in which the service is delivered and where the firm and customer interact, and any tangible components that facilitate performance to communication of the service (Zeithaml et al., 2006). Hyder and Fregidou-Malama (2009) argued that physical evidence is particularly important in cross border sales of services due to intangible and heterogeneous characteristics of service offerings. Process is another service related variable. Due to intangibility and abstractness of services, buyers will prefer to see the process how the service is planned, developed and adapted before the final delivery is made. The final variable is people which according to Zeithaml et al (2006) take in all human actors who play a part in service delivery and thus influence the buyer’s perceptions namely, the firm’s personnel, the customer, and other customers in the service environment. In international services marketing, the role of people is crucial at least in three interactions: between foreign and local management, between foreign and local personnel involved in day-to-day operation and between local staff and customers.

**Research design**

A qualitative case study design has been found appropriate in this work considering the complex nature of the research, and interviews are an essential source of case study evidence (Yin, 2004). According to Gummesson (2005), case study research is systematic and holistic as it offers rich accounts of the relationships and interactions between a host of events and factors. A single case has been studied because the purpose of this study was to go into the depth of standardization/adaptation dilemma and to seek understanding how these issues are handled in a service firm’s international marketing strategy. By focusing on single company IKEA, Elg et al. (2008) and Ghauri et al. (2008) have successfully shown how this retailer have identified and established relationships with different actors in the network. Further complex nature of service marketing makes the assessment of quality difficult, particularly on the international market, and therefore concentrating on several cases is usually difficult and not even necessary for such an explorative study (Zeithaml et al. 2006). A single case is also suitable when cultural, social and economical differences between host and foreign country are large and marketing strategy of a multinational company is focused.

The Swedish multinational company, Tele2 covers several features which justify why this case has been studied. First, with its 31 million customers, Tele2 has become a fast growing company in the IT and telecom industry. Second, by investing intensively in the Eastern Europe, it has become a main player in the region. It already represents in 11 East European countries and has become the market leader in Lithuania. Third, Tele2 belongs to the services industry which is the focus of this study and has a second position after the state-owned Telia in Sweden making it as a representative case in the telecom sector. Finally, the researchers had been offered full access to the company personnel and other material both in the Swedish head office and the Lithuanian company, which were necessary to conduct a satisfactory data
collection. Elg el al. (2008) called for access to vital data in research, particularly on international marketing.

Semi-structured interviews containing both a fixed set of questions and a set of open ended questions have been used for data collection. The open ended questions gave the central part of our information as the respondents were free to talk and we also could go in with follow up questions whenever found necessary for understanding and interpretation of the data. The timeslot of the interviews was from April to October 2010. Each interview took between one and two hours and one of the researchers were present in all of the interview sessions. A key approach to interviews was to use highly knowledgeable informants who viewed the market driving phenomenon from different viewpoints (Eisenhard & Graebner, 2007). In fact, all senior officials and major marketing people in Lithuania, and executives at Tele2 head office involved in the Lithuanian establishment process had been interviewed. In total employees in 10 different positions in the top management were interviewed, and many of them twice in order to complete information about the company. Further to this total interview approach, an extensive use of secondary sources and observation of the marketing process in Lithuania helped triangulation of the data to check the accuracy of information both from historical and current perspectives (Miles & Huberman, 1994; Ghauri et al. 2008).

Findings from the research were discussed and interpreted in relation to the theoretical framework and have been linked with relevant theories. Contradictions and agreements between the head office and the local office strategies were carefully examined to observe the implementation of standardization/adaptation in Lithuania. To facilitate further analysis of the data, a list of 17 items covering four standardization/adaptation contents have been developed (Table 1). The items were selected from the discussion with the interviewees and the authors’ literature review. All interviewees participated in the study were later asked to respond on a 1-4 point scale ranging between pure standardization and pure adaptation. This after investigation offered the researchers important insight on how the head office and the local office viewed standardization/adaptation issues, where they differed or concurred and how the overall implementation of the marketing strategy went. The analysis done in the program Business Intelligence is taken up in the discussion. This measure verified our interview based data and also laid solid foundation for drawing meaningful conclusions.

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Case study: Tele2 in Lithuania

Tele2 is a Swedish shareholding company founded in 1993 that offers mobile communication services, fixed broadband and telephony, data network services and cable TV content services. Mobile communication is the primary focus area and the most important growth segment for the company.

Tele2’s strategy concentrates on the eastern part of Europe and in 1999 they expanded to Lithuania which is the focus country of this article. The Lithuanian office is located in the city center of Vilnius and has been growing rapidly and now over 100 employees works in the office. By being an early-mover and concentrating upon value for money, Tele2 Lithuania has had a stable base to stand on and the most important value for Tele2 is to be able to offer the customers the “Best deal”. The “Best deal” that the company uses as a key word to their business means being price leaders on every market. The visibility of core values and company strategies on different markets gives Tele2 a status of a transnational company. One Tele2 executive puts it in the following way:

“The Tele2 culture is very strong, and wherever I come I feel that it is the same company independent on which country I’m in. We are a big international company, but you can still get the feeling of entrepreneurship, and the feeling of being a ‘new thinker’ is obvious.”

Anders Olsson, Chief commercial officer, Stockholm

External factors

Culture plays a significant role in Tele2, and the importance of being close to the customers are important. The company culture has been developed over many years and for Tele2 it is very important with a strong internal culture that is the same over borders and from office to office. This practice holds the company together and makes them different from the competitors. A big cultural issue between Sweden and Lithuania is the difference in humor which has made it difficult for the Lithuanian company to use the two existing marketing concepts that Tele2 use in most of their markets. These marketing concepts have been primarily developed for the Nordic countries considering Nordic humor and applying English words such as “sheep/cheap”. An example of playing with English words is that the head character in one of the marketing concept is a sheep that tells how cheap Tele2 is. A local sales manager expresses her views on it.

“Sheep are synonymous with stupid in the Lithuanian language, and therefore we don’t want our customer to be compared with sheep. To call a customer sheep would mean that we want to get rid of the customers and that would be a wrong message to the customers.”

Jolita Grigaliūnienė, sales manager, Lithuania
Tele2 have therefore opened up for more adaption of the marketing material to fit with the local culture. This is done in collaboration with the other Baltic States that have a similar history and culture. For the Russian market, Tele2 have developed another concept relating to mafia and the role of family for doing commercials. The concept of mafia that ties big families has not either worked in Lithuania due to absence of mafia culture in the country. A general policy of Tele2 is not to have more than two marketing concepts, but none of the existing concepts works in Lithuania due to cultural differences with the rest of the markets. Therefore Lithuania and the other Baltic states are allowed to produce parts of their own marketing material. A standardized approach in marketing was used in the beginning of the market entry but over time they have gone towards a more adapted approach.

Tele2 have different consumer profiles in different countries depending on how long it has been on the market and the competitive business climate. In Lithuania, Tele2 are focusing on “high income” customers for their postpaid segment and on students and young people in their prepaid segment. But what they recently found out through an internal survey that more and more old people are also signing up for prepaid as they after the financial crisis feel stressed about monthly incoming bills. In Sweden the consumer profile for postpaid is the average customer that wants a good deal and the target for prepaid is younger people and students.

Market characteristics and the culture of a country are closely linked together. Although Tele2 have seen a change towards a more western consumption style there are still differences and Tele2 have been aware of this reality while developing its marketing strategy for the country. One example of difference in customer characteristics is that the Lithuanian consumers are much more open for changing operator, both due to the economical situation and to their history of scarcity. According to a recent Tele2 internal survey the average Lithuanian customer has 2,1 simcards, and some customers actively change between them in order to call at the cheapest price. Parents are the ones that complaints most about this as they never know on which number they can reach their children who seem to care more reaching their friends, than to be reached. This is a difference from the Swedish customers as this has never been a problem on the home market. Tele2 has no plan to offer a standard solution to this problem from the head office. The simcard swap causes big costs for all competitors and the therefore Tele2 aims to be the main operator for their customers.

Both in the short and long run, Tele2 Lithuania wants to be the cheapest operator with the “best deal” that customers can trust. In telecommunication, the competition is tough and there is a little difference between the competitors. Tele2 are therefore keen to listen to the local business climate in order to offer the best deal. The competition in Lithuania is different from Sweden in many ways. One example is that competitors copy things much faster in Lithuania, so the development goes very fast and as soon as one competitor comes up with a good strategy, service or a marketing act, the competitors has the same the next day. When Tele2 were small and new on the market, they could pick good things and copy competitors, but now when they are market leader it is them who stands for all the costs of developing new things and they are the ones whose experiences being copied.
**Internal factors**

Price leadership has always been central for Tele2, and is ranked as the most important strategy in the best deal concept. In Lithuania the price leadership have been a good marketed strategy, and due to an independent survey the results say that almost 50% of the customers believe that Tele2 has the lowest prices. The growth strategy of Tele2 is the same independent on what country they are in and to be Tele2:ish and “the Tele2 way” are the principles that keeps the company tied together. These principles are parts of Tele2 DNA and together they uphold the key operational capabilities by offering the best deal. A solid base of core values is important for Tele2, as all countries are different in many aspects. Tele2 core values consist of six different key words: cost consciousness, flexibility, quality, always being a challenger, be frank and take fast action. In order to let the employees understand the importance of this core values and how they work in all different levels a computer game was developed in 2010. The computer game is built on real situations and the challenge for the employees is to solve problems coming up in regular dealings at work. The game is in English so that everyone disregard of where they are located can use it, and as every employee has access to a computer it is seen as a good way to develop and improve the service culture according to the same standards that is over all markets. Communication of core values to the market helps Tele2 establish an standard marketing strategy for the whole company.

Tele2 believe that one size does not fit all, so they need to have an approach that is flexible to the local conditions. As markets are different considering size, history, language, Tele2 needs to understand that on an everyday basis and be prepared to adjust their business to the particular country. For marketing of the prepaid segment, Tele2 Lithuania use local advertising companies that knows what works in Lithuania. Some marketing material is used straight from the marketing platform, but it always goes through a testing panel of the local advertising company and testing groups. The prepaid segment therefore has a mix between standardization and adaptation in their marketing.

As Tele2 are building the net they can control the future of the technology but also influence the legal environment, when new on a market it was more to adapt to what technology that are available on the market. The packaging of technology is important, and as the conditions between countries are different the packaging also needs to be different in some cases and adapted to local conditions. The competitive strength of tele2 is closely related to the experience tele2 have had on their other markets, but also to the strength of being a well established company with long experience of the business.

**Standardization/adaptation contents**

The unique position that Tele2 is trying to maintain is the “best deal”, i.e. to be cheapest on the market with satisfactory technology. The main characteristics are the same all over the markets and therefore most of the basic offerings are the same to keep the service concept unchanged. Tele2 considers that customers have similar needs and therefore a standard technological solution is applied all over their markets including Lithuania. However, due to cultural differences the offerings to local customers are made by Lithuanian employees in order to understand the culture and be flexible to match with the tough and fast changing
competitive environment. It is a competitive advantage for Tele2 to be a market leader, but it is also associated with high costs. The market situation has forced Tele2 to be quick in coming up with new promotion activities. For example, the same TV commercial cannot be used more than 6 weeks in Lithuanian market compared to other countries where Tele2 can go on with the same appeal to the customers for several months.

For developing advertising message Tele2 Lithuania practices a combination of standardized and adapted strategies. The core values of Tele2 are the same, but the way the message are communicated is different. Nowadays almost all material is produced locally with help of an external marketing agency. Some ideas are taken from the marketing platform, but as a rule all material used from other countries is tested through focus groups before it is introduced in the Lithuanian market. One example of advertising that was not possible to use over the borders is the commercial involving the playing with English words sheep/cheap concept taken from Nordic countries. If people in the focus group get annoyed on Tele2’s way of seeing things, one could only imagine what the customers would be. Even the IT system which is easier to standardize has needed a major adaptation to suit the local requirement.

The name Tele2 is used in every country, but in many eastern European countries they are also using a second brand for their prepaid services. This proved to be a good strategy as the customers in Eastern Europe have shown that they prefer to buy their prepaid services from a brand that they are familiar with. Tele2 have decided to use different brand names for their prepaid services in different countries, instead of using the existing second brand Comviq they use in Sweden. As Tele2 bought an existing prepaid company in the beginning of their establishment they decided to keep the name that was well known by existing customers. But as the market is changing it is said that the usage of an internal second brand would not have been the case if the decision should have been taken today. The strategy of Tele2 is to position themselves against competitors by stating that they are the cheapest and gives the best deal. This has been a successful long-term strategy as the company has put a lot of effort and money in order to communicate this message to all their markets. The “best deal” is important in their brand strategy and it is an ongoing process to make sure they can always deliver the best deal for the customers.

Prices are adapted in order to fit the business competition. Pricing methods and strategies are the same all over, but real prices and margins are different in order to adapt to the changing business climate in Lithuania. Promotion is fully adapted to the Lithuanian market in order to fit the customers the best possible way. The company is very open when it comes to marketing. Most of the marketing material used particularly for prepaid sector by Tele2 is not found suitable for transferring to Lithuania and therefore they are doing the promotion work mainly locally. In order to attain good marketing performance, sales of Tele2 Lithuania and marketing activities of the competitors are carefully analyzed. This course of action helps the company to observe and study what marketing strategies the other companies are applying. If some strategy looks promising and effective, Tele2 applies that in their company. For the postpaid segment, a more similar marketing strategy and marketing material are applied in different countries although adaption on environments takes place, and local employees are made responsible for commercials. Some TV commercials which telecasted in Sweden three years ago are now being used in Lithuania. Using old commercial is not seen as a strategy, but it has more been a coincidence that the old Swedish concepts have come to use.
The “best deal” is a core value, but it is interpreted differently to different customer groups. Depending on the level of expansion and growth, Tele2 choose their strategy for that country. In Sweden, Tele2 are everywhere in the country and are exposing themselves in many different TV channels while they are mainly focused in bigger cities in Lithuania. Customers and services seen from the Tele2 perspective are different from other services and the customers. Even services offered by Tele2 Lithuania is less face to face intensive while other communication channels such as internet is getting more and more important for communicating with the customers.

By using same logos and similar layout of different written materials, Tele2 Lithuania attempts to create a uniform physical evidence for the whole company. It is important for the local company to exhibit its identity and thereby using the goodwill of the Swedish company to maintain a leading position in the market. However, there are things related to physical evidence, which cannot be standardized. For example Tele2 Lithuania have their own stores where only Tele2 offers are available. In Sweden, offerings of several phone service providers are sold in the same store under some collaboration agreement (Osarenkhoe, 2010). Billing is another thing which is difficult to standardize due to local variation. Internal culture of Tele2 Lithuania is to provide good services to the customers so that they become long-term users of their services. A combination of standardization and adaption is therefore practiced to meet the customer requirements, even they cannot handled all the time. Inside the organization, a collaborative climate is maintained following the Tele2 spirit. The key words are to maintain the quality at a good price and at the same time to be flexible when it does not affect the basic appeal of the offering.

**Discussion**

To summarize this study shows that standardization in the beginning of the establishment of a company on a new market can be good. Later on when knowing the market, better marketing strategies can be adapted after what works on the market. It is important to see adaptation/standardization from a wide perspective and that there are both things that is possible to affect and factors that is not possible to affect. The importance of core values are found important, and it can be good to lean towards in many situations. At least to find the level of standardization/adaptation on all levels of marketing is found important. This study discusses international marketing strategy of a company illustrated in terms of internal and external factors, and standardization versus adaptation contents. The important contents that need to be taken into account when taking the important marketing strategy decisions have been identified. Generalization of where a company can use the adaptation approach can be found in the case study by looking on how Tele2 have done to succeed in Lithuania. The following discussion highlights the key findings of the current research.

In Lithuanian culture, adapting to what customers are used to is many times better than using existing marketing used in other markets. Both the empirical and theoretical findings enabled us to elaborate on the research questions that were presented in the beginning of the article. This work examines the importance of taking a well built decision to adapt or standardize the marketing strategies when doing marketing on another market with cultural differences. There are several examples of that in the study, first there was difficulty with humor in the commercial, and over time there are also signs that adapted marketing have had better results than marketing copied from the head office. Standardization/adaptation plays a central role in
the marketing of services in Lithuania. It needs to be pointed out that there are big cultural differences between Sweden and Lithuania, due to among others the history of the countries and their culture and traditions. Internal factors are in many ways what the case company Tele2 are built on and what holds them together. Price leadership is the most important core value and that is the image that the company want towards their customers both on the home market and where the case company are exporting their services.

Figure 2 shows both contradictions and similarities between the head office strategies in Stockholm and the opinions in the local office in Lithuania. The results imply that the head office is more inclined to standardization than the local office in Lithuania. By analyzing the findings we could see how the different offices saw on standardization/adaptation.

By looking at the model it is possible to see that there are differences of how the head office wants the standardization/adaptation to be in order to have a unified approach for every country, and how the local office wants to have the standardization/adaptation in order for them to make the best results on the market. Interesting to see that it was within the service marketing content the two offices have a common view. In line with Chung (2010) the results shows that adaptation and decentralized decision making strategy appears to be positive related to profitability when the countries have cultural differences. The biggest gaps between the head office and the local office were found in the areas of company strategies, brand positioning, sales, TV and internet communication. In all of the four contents the head office wanted a more standardized approach while the Lithuanian office preferred adapting to the local environment. The local office claim that the importance to see what the competitors are doing and react on them is more important for the profit than being closely linked to the head office and having their large scale advantages. On the other hand, in eight out of the 17 contents the head office and local office had the same opinion about how standardized or adapted the contents are.

Earlier researchers suggest that a service should be standardized in the beginning of the process as it is less costly, and later on adapted whenever the company see the advantage of it (Ang and Massingham, 2007). This is exactly what Tele2 did in the beginning in Lithuania. As time passed they gained more experience and saw that some of their adapted marketing efforts were both better and cheaper compared to using the standardized material. One important thing to remember in the standardization/adaptation discussion is that the overall strategy of Tele2 is to have no more than two different marketing concepts, and they should be so good that they can fit all over the markets. The reason for having a more adapted approach in Lithuania is simply that the cultural differences of so great importance that a standardized approach like they have in most other countries should simply not work.
Conclusion and implications

This study enhances our understanding about the adaptation – standardization process of marketing strategy. External factors are factors that are not possible to control seen from the services companies, however it is important to know about them in order to tackle them the best possible way. In this article we have examined that cultural differences between Sweden and Lithuania are of importance and they are not possible to neglect in the marketing strategy. Competitive business environment and market characteristics also differ between the countries and that is things that the case study company have taken into consideration when deciding about standardization/adaptation.

Internal factors are partly possible for the service company to control, in terms of company policy there are many advantages of having the same policies and core values. There are several examples of that in this research. First Tele2 are very clear about the importance of keeping the core values and the strategy to offer the customers the “best deal” on every market. Second, the importance to be fast and flexible shows that the company is willing to adapt to the market conditions which may include competitive environment. Third by talking to the employees it is also visible that they are very proud of being “tele2ish” and in every interview the interviewed described the culture and the importance of it. The concept Tele2 has towards the Baltic States and particularly Lithuania is that it is up to the Tele2 office to make it work on their market, which is a combination of standardization and adaptation where no decisions are forever.

The use of the competitive strength in the home country is used on new markets in order to set up goals. Transnational use of good ideas and transfer of know-how is an important thing when developing the new service climate. This study suggests that the service offering and its development should be standardized while market related adaptations such as promotion can be based on local culture and practices if the cultural differences are of major importance (Hyder and Fregidou-Malama 2009). It is all about finding the degree of standardization/adaptation along each parameter of marketing. To summarize, it is important to adapt the marketing to the local market, and at the same time keep the technology and company culture. To be successful it is all about good service concepts and well packed services with a local adaptation on marketing. The experience from previous international operations and service supplying enables a company to build, develop and adapt its organization, routines and service supply system to meet the needs of the customers. Regarding the specific relations between Sweden and the Eastern European countries it is important to have good communication and make sure that both parties understand each other. This is not only applicable on the Eastern European countries, and can therefore be used whenever a company decides to go to a new market. Adaptations within marketing are an ongoing process between the company and the customers that will go on as long as the company is present on the market. It is therefore possible that the head office and local offices have different opinions about standardization versus adaptation. It is interesting to note that the local office called for more adaptations when the head office had a strategy towards more standardization. In general it appears that top management from both sides need to be involved in standardization-adaptation decisions and Tele2 have been very successful in that.
Our results provide certain implications for both managers of expanding service companies and for the academics. Global expansion of services and the strategic and tactical considerations about standardization and adaptation, introduced in our framework, can provide a fertile field for empirical research. Adaptations on marketing for products have been the subject for many investigations in international business, but their implications for services has not been researched to the same extent. Research on international services would therefore be a valuable source for empirical investigations. A quantitative approach how likely it is that a company should adapt or standardize would also be interesting to see. Although this paper attempts to integrate the diverse literature on services marketing, internationalization and adaptation/standardization theory in order to develop a conceptual model for the decision for a company to standardize or adapt, other contents may be examined. For example it would be interesting with an empirical comparison between companies where the contents model is used. The growth in the international service sector is enormous, and guidelines in how to succeed in a cultural distant country would be beneficial for many sectors and different companies. According to Yaprak (2008) there is a research gap in sharply framed culture studies that will lead to a deeper understanding of culture’s role in targeting, segmentation, and positioning and strategy formulation in international marketing.

Our contribution differs from previous research by suggesting a tool that companies can use in order to decide where they should adapt or standardize their marketing. By knowing as many as possible of the internal and external factors a company can start to map them and take decisions weather to standardize or adapt. External factors such as culture, competitive environment and market characteristics are conditions that a company on a new market have limited opportunities to change therefore we recommend adaptations on marketing to fit the external factors. Internal factors such as company policy, company strategy, competitive strength and technology is easier for the company to take control over, therefore we recommend companies to take decisions after examining both on long and short term where adaptations can be favorable, if standardization is seen as a cost saver it can be better to standardize in the beginning and adapt if needed in the future. By having an overall standardized approach and adapt whenever the company benefits from it seems the best way to develop a long-term strategy. By describing the process of how a company has done in their struggle of adapting or standardizing the marketing managers can see where they should adapt or standardize for best results.

One important thing when taking decisions is to find out what kind of communication that is used on the new market and try to fit into that.

Findings of the current study offer several insights in how other companies can do in order to choose path between the two extremes adaptation and standardization and what contents to look deeper into. Over all this contribution will lead to a better understanding of the importance to be sharp and listen to the market and at the same time use the standardization strategy where adaptations is either too costly or ineffective.
References


Lindsey, A. (1964) “The Pullman strike: the story of a unique experiment and of a great labor”


FIGURES AND TABLES

Table 1: Content list

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Figure 1: The service content model

Marketing strategy

Standardization/adaptation contents
Service concept
Brand
Marketing mix
Services marketing mix
Figure 2: Tele2 in the content model